



**PHD**

## **The Impact of Regulation on Micro-Firms**

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# **The Impact of Regulation on Micro-Firms**

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A thesis submitted for the degree of Doctor of Philosophy

University of Bath  
School of Management

September 2017

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# Thesis Abstract

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In resource-restricted micro-firms, there is limited opportunity for owner-managers (for they are generally one-and-the-same) to maintain their regulatory awareness and implement changes as required. The challenge is achieving this while also managing almost all aspects of the business, including dealing with customers. Given that regulations are far reaching and constrain the operations of firms, regulatory understanding and compliance are essential to running a successful (legal) business. This thesis uses an (unusual) balanced approach to explore both the impact of ‘burden’ (which is widely investigated for small firms) and ‘value’ of regulation (which is not) on under-researched micro-firms. The core of this thesis comprises three papers, which each explore a particular aspect (knowledge, performance, and compliance) using multivariate techniques across several models, using newly collected survey data from English accommodation providers. From this a number of insights are made relating to the role of trade-associations in disseminating information, the accuracy of owner-manager self-assessment, the actual level of regulatory knowledge, and the role of value and burden on performance and compliance. Such findings extend and reconcile prior literature, which thus far has been limited by burden-led approaches, one-dimensional measures, and contradictory conclusions. Building upon these insights, practical recommendations are made which extend beyond a simple “more, better information” to include a cross-association campaign (for trade-associations remain best placed to address issues identified, despite their current apparent failings and in the absence of an alternative). The recommendations comprise better communication and networking, improvements to self-assessment skills, as well as a focus on the value (i.e. the benefits) of regulation, and enhancing firm performance (using an appropriate performance measure). Finally, a number of potential future directions for research, continuing to use the data collected herein and original research projects are also identified and discussed.

**Keywords:** Micro-Firms, Regulation, Trade-Associations, Perceived-Knowledge, Actual-Knowledge, Self-Assessment, Regulatory Value, Regulatory Burden, Performance, Compliance.

# 1. Introduction

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## 1.1 Chapter introduction

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Micro-firms, herein defined as firms with 0-9 employees (BIS, 2016; DTI, 1995), account for the majority of firms in the UK (BEIS, 2016a) yet they are particularly difficult to research for a number of reasons, including “*definitional problems, the number and diversity of firms in this sector, standard error margins in the classification and conceptualisation of research samples and access/data collection difficulties*” (Matlay, 1999, p.1). Moreover, owners and managers, who are often one and the same in micro-firms (henceforth owner-managers), are fiercely independent and notoriously difficult to persuade to “*undertake courses of action that are sub-optimal from a business point of view*” (Johnson, 2002, p.292), such as taking time away from the business to participate in research. Additionally, while their central involvement in the day-to-day operations of their businesses superficially appears to make them more accessible (Edwards *et al.*, 2002) (particularly in a tourism context, the case covered herein, as they frequently live on the business premises), it is also likely to lead to long and unusual working hours, therein reducing the opportunity for research (Sauermann and Roach, 2013). Given these issues, micro-firms are generally under-represented in existing research.

Regulation is one of the most important determinants of business behaviour (Lynch-Wood and Williamson, 2014). Defined herein as the “*imposition of rules by government, backed by the use of penalties that are intended specifically to modify the ... behaviour of individuals and firms in the private sector*” (OECD, 1993, p.73), it has been termed the “*skeletal structure of social organisation*” (Silbey, 2013, p.4) as it is an all-pervasive component of everyday life that often goes unnoticed. Indeed, as Silbey (2013) illustrates, the reader of this thesis will: likely be sat in a space which was designed and constructed to building codes, lit by lights which are wired to meet electrical standards; with water, itself purified through legal recipes, flowing through pipes which are also designed and installed to building codes; and possibly eating something that will have been grown under agricultural regulations, then cooked and prepared under a myriad of food regulations before being transported and sold

under various further regulations, all involving people working under employment legislation<sup>1</sup>.

This thesis aims to address the shortfall in micro-firm research and does so using regulation in the context of English Accommodation providers. The tourism industry is a fitting case as it is highly regulated and predominantly consists of micro-firms (Tourism Alliance, 2015, 2016; Tourism Regulation Taskforce, 2012). It is the sixth largest industry in the UK and the third largest employer, accounting for 9.5% of the UK workforce. The industry is also particularly important to the economy as it attracts consumers from around the world, who then invest in the local (and wider UK) economies. Despite this, there has been little research into some areas in a tourism context, such as knowledge and compliance (in part because tourism is not seen as a ‘high risk’ industry) (Czernek, 2017; Hasle and Limborg, 2006; Hasle *et al.*, 2012; Shaw and Williams, 2009).

The core of the thesis is comprised of three self-contained academic papers. As such, each paper contains a detailed compilation of sections, including introduction, literature review, methodology, results, discussion, and conclusions. While there is considerable cross-over between the papers, most notably in the methods and the root context of regulation and micro-firms, each contains a dedicated and complete exploration of the literature and set of arguments relevant to its aims.

The thesis is structured as follows. The purpose of this introductory chapter is to present the core context of regulation and micro-firms. This includes both the pertinent areas, such as knowledge, performance, and compliance, that are included in the papers, along with the wider issues that are relevant but not detailed in the papers. The chapter presents a broad summary of the state of the literature (Sections 1.2 and 1.3), before demonstrating the rationale for each individual paper (Section 1.4). Following this, the next chapter, Section 2, explores the background and methodological approach taken to conduct the study (a self-reported survey), again elucidating on the detail within the papers. Then, after each paper is presented in turn (Sections 3-5), Section 6 draws together the conclusions and contributions of the paper, before exploring potential future research opportunities.

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<sup>1</sup> The terms ‘regulation’ and ‘legislation’ are used interchangeably in this context throughout this study to reduce repetition.

## 1.2 Regulation

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Regulation can be set to both empower groups (as in the case of anti-discrimination laws) and restrict or prescribe undesirable behaviour (as in the case of health and safety laws). It aims to protect groups, for example consumers or employees, along with the environment, from unsafe or unscrupulous behaviour (BRTF, 2007). Indeed, good regulation should be proportional, accountable, consistent, transparent, and targeted. However, through either poor design or implementation, it can unduly impose costs or hamper the performance of firms (BRTF, 2007).

The omnipresence of regulation is such that few people truly realise or comprehend its reach, which serves to both protect and control the public and businesses. Despite this, there is a generally negative bias when it is explored and reported upon, although it is not difficult to understand why this exists. There are a plethora of regulations, spread over innumerable acts of law, originating from the UK devolved governments, the central UK government and the European Union (at present)<sup>2</sup>. The tourism industry alone (the context of this study) is considered to be highly regulated, with over 21,000 regulations in effect (Blackburn and Hart, 2002; Tourism Regulation Taskforce, 2012); the majority of which are noted to be “*ill-fitted to the world of small businesses that characterise*” the industry (House of Commons, 2015, p.3). Indeed, this is made somewhat more difficult by the structure of government, as in this case of tourism firms, the vast majority of regulations which apply to firms originate from outside the Department for Digital, Culture, Media and Sport (the department currently responsible for tourism), who appear to have had little influence in regulatory design and limited capacity to articulate regulatory changes.

Compliance with regulation is necessary to avoid prosecution, fines, temporary closure, and reputational damage, the results of which can quickly exceed a micro- (and even small) firms’ limited resources (Boustras *et al.*, 2015; Shalini, 2009). However, while compliance may be enshrined in law, the acquisition of regulatory knowledge is, in fact, a purely voluntary, although necessary, act (Mendoza *et al.*, 2016). With limited ‘official’ guidance that is understandable and on time, firms, particularly smaller ones, are forced to seek knowledge from any available source, such as personal networks, external professionals,

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<sup>2</sup> See Section 2.3 for an overview of the four areas of regulation explored in this thesis, including the various Acts that constitute them. Also note that given the differences between devolved regions, this study focuses specifically on firms in England, thereby removing the complexities of comparing regulations across regions.

trade-associations, and media websites (Bennett and Ramsden, 2007; Bennett and Robson, 1999; BRE, 2010; King *et al.*, 2014; Peck *et al.*, 2012). It is in this that the negative bias is furthered by ‘media noise’ (Peck *et al.*, 2012), with many news outlets putting a negative spin on reporting; for example, “*Could new data laws end up bankrupting your company?*” (BBC, 2017); whilst also causing confusion by reporting during periods of consultation, thereby bewildering readers as to what is finally set in law and what has been considered but ultimately disregarded. Indeed, the unregulated, incomplete and potentially biased nature of websites makes them particularly troubling for small firms. Legitimate news sites are beset by their own biases, while blogs and consultant websites lack credibility and assured validity. However, they can nonetheless become prevalent if they appear highly in search results (Peck *et al.*, 2012).

The apparent reliance on non-official sources of information is perhaps unexpected, given that a review found regulatory documentation in the UK to be ‘effective’ (Peck *et al.*, 2012). However there is considerable evidence to the contrary, such as BRE (2010). Indeed, the full official guidance for Equalities Act (2010) was delivered over three months after the regulation came into effect and ran to 320 pages in length (although shorter guidelines, still 12+ pages in length, were created by the government and other sources in the intervening time) (Peck *et al.*, 2012). Similarly, improved guidelines for revised fire safety regulations arrived almost three years after the law was brought into effect and remained fraught with inconsistent interpretations by different fire safety officers (HM Government, 2008; Tourism Alliance, 2011; Tourism Regulation Taskforce, 2012). In spite of the opposing views over the effectiveness of guidance documentation, what such reviews fail to ascertain is if and how such information is processed by firms. Indeed, the guidelines may accurately distil requirements into a simple checklist, thus making them ‘effective’, but if firms do not read the guidelines (or if they do not understand them, despite the efforts to make them clear), then documentation remains an issue. Exploring knowledge acquisition from the perspective of firms remains an important area for research.

Beyond official guidance, much of the exploration of regulation speaks directly of the regulatory ‘burden’, this extends from academic research into official government reporting. In fact, ‘burden’ is so thoroughly entrenched that many studies include it in the title, such is the case for Chittenden *et al.* (2002): “*Regulatory Burdens of Small Business: A Literature Review*”; Levie and Autio (2011): “*Regulatory Burden, Rule of Law, and Entry of Strategic Entrepreneurs: An International Panel Study*”; and Peck *et al.* (2012): “*Business*

*Perceptions of Regulatory Burden*". This does not suggest a neutral and balanced approach. However, few others manage to include both 'burden' and other factors, such as Kitching *et al.* (2015), but they remain the minority. Within studies, Kuratko *et al.* (1999) notes the 'regulatory burden' and 'adverse impact' on small firms ('microenterprises' in their case), while BRE (2010) notes that "*businesses in general struggle to comply with regulations*" (p.4), and BIS (2013) details the government's commitment to "*cut the overall burden of red tape*". This commitment, like the use of questions such as those regarding the "*imbalance between needs of regulation and encouragement of enterprise*" (ICAEW, 2005; via Kitching, 2006, p.804) presupposes the existence of such an imbalance or the 'burden of red tape', thereby biasing respondents towards the negative notion.

This 'burden' consists of many facets, identified as 'direct costs' and 'indirect effects' by Edwards *et al.* (2003). In this taxonomy, the 'direct costs' are the tangible monetary costs associated with implementing regulation, which includes the time spent researching and executing, along with training, equipment purchasing, and premises alterations; or as in the case of employment law, higher wages or pension entitlement payments. The 'indirect effects' meanwhile, consist of the wider time and resource costs on firms, such as the greater formalisation of business practices, and the increased time spent on regulatory administration; all of which cut into the owner-managers' available time (and resources) to further develop the business. Lewis *et al.* (2015a) offer an alternative categorisation which extends this further. Firstly, the cost of researching and understanding regulation, which itself mostly consists of the owner-managers' time; secondly, the cost of implementing and abiding by regulation, such as the purchase of specialised equipment and undertaking training, closely matching Edwards *et al.*'s (2003) 'direct costs'; finally, the ongoing cost of demonstrating compliance, such as through continuing paperwork and reporting (although they admit the boundary between abiding-by and demonstrating compliance is somewhat blurred). It is perhaps best to adopt both views, as while Lewis *et al.*'s (2015a) three-part categorisation offers better insight into the research-implementation-demonstration process, Edwards *et al.*'s (2003) 'indirect effects' category further elucidates the non-monetary costs of compliance, through both the time and effort required to understand and implement regulation. In the resource limited environment of micro-firms this happens at the detriment to other areas of the business that languish when they are not attended to, thus contributing to a 'firefighting mentality' and approach to management (Falta and Gallery, 2011). In addition, it potentially leads to the loss of the informal, family-feel of a small business, as



formalisation of business practices is required to ensure and demonstrate regulatory compliance (Edwards *et al.*, 2003). However, as Peck *et al.* (2012) and Chittenden *et al.* (2002) identify, it is somewhat difficult to quantify and thus measure the ‘indirect effects’ (which the latter term ‘psychological costs’). Furthermore, the issue of implementation, beginning with research and understanding is, in itself, problematic for micro-firms, who often find official guidance to be late, and hard to follow, with little or no tailoring to businesses or industries.

Where small (and indeed, micro-firms) have been considered, there is surprisingly mixed evidence of the effect, direct or otherwise, making it difficult to establish a clear picture. In one strand of research, studies have suggested that small firms are indeed disproportionately affected by regulation: for instance, BRE (2010) found micro-firm owner-managers spent up to two days per week on regulatory issues (and notes further studies which find the cost of compliance to be disproportionately high)<sup>3</sup>; the OECD (2001) found that firms with 1-19 employees incur regulatory costs up to five times higher than firms with 50-500 employees; whilst Collard and Godwin (1999) found that firms with 1-4 employees spend up to £288 per-employee per-year on regulatory administration while firms with 5000+ employees spend only £5 per-employee per-year. Carter *et al.* (2009) identify a stream of work with such conclusions and suggest the basis of such regressive costs on small firms are because some compliance costs are (at least partially) fixed and hence do not increase in proportion to size, and also that small firms lose out because they are of insufficient size to influence the design of regulation like large organisations or industry groups. However, in contrast, other studies reached somewhat contrary conclusions. Edwards *et al.* (2003), whose findings are in line with those of Vickers *et al.* (2005), studied firms with up to 50 employees and found that while managers anecdotally complained about additional administrative costs, there was little evidence to verify these claims. A review by Kitching (2006) similarly found issues with identifying the direct impact of regulatory changes, although did suggest issues surrounding “*lack of awareness of regulation [and] deliberate noncompliance*” (p.803) might be responsible for such conclusions. Hart *et al.* (2008) suggests that “*there is no necessary correlation between regulation and performance*” (p.9) of small businesses (thus no direct financial cost), and goes on to outline multiple positive and negative influences of

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<sup>3</sup> Indeed, through interviews, BRE (2010) detail a number of specific examples of time and monetary burdens on micro-firms, such as: “*one small B&B owner [who] said that she averaged 45 minutes per day on paperwork*” (p.6).

regulation on firm performance. Such dichotomous strands of research deserve further exploration as their diametrically opposed views cannot easily coexist.

The problem is further complicated by the unintended consequences that inevitably follow regulatory changes. For example, safety or environmental regulations may create barriers to entry, or indeed, price some firms out of the market (Tan and Rae, 2009). This can be observed in the changing requirements of fire safety regulations<sup>4</sup> which led to some bed and breakfast operators (B&Bs), many of whom were compliant under the old rules, facing additional remedial costs of around £15,000 to ensure compliance, which in turn led many firms to close (Gerrard, 2011; Tourism Regulation Taskforce, 2012; Walton, 2007). Thus, even regulation with the best of intentions can impose costs on firms and even lead to closures, particularly for micro-firms for whom the effects may be especially unforeseen (Blackburn and Hart, 2002).

From a business perspective, regulation can be seen as outside interference over which they have little influence; imposing new restrictions and costs, seemingly at whim; with the majority of regulatory reporting highlighting the burden, thus contributing to the prominent negative rhetoric which surrounds regulation. However, there are benefits to regulation, for both businesses and the public, though they are generally more difficult to articulate and do not result in direct monetary benefits. Firms themselves often struggle to identify the benefits of regulation and tend “*towards the negative when spontaneously describing regulations*” (IpsosMORI, 2007, p.3), though this is not surprising given the apparent negativity from the outset. Furthermore, few studies even provide an opportunity for owner-managers to articulate and consider the potential benefits of regulation (Kitching, 2006).

Indeed, while the costs are applied to firms, many of the benefits are either indirect in nature (i.e. potential benefits to workers, leading to enhanced productivity), or they have a wider societal or environmental impact (Fooks and Mills, 2017), thereby contributing to the one-sided view of ‘regulatory burden’. Perhaps the most prominent regulatory benefit for the accommodation industry at present (at least for the serviced sub-sector<sup>5</sup>) is the promise of a level playing field, with all firms expected to meet the same base requirements and thus, equally share the ‘burden’. However, the recent upsurge of the ‘sharing economy’, in which

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<sup>4</sup> Section 2.3.4 further expands on the changes and issues surrounding fire regulations and the impact on B&Bs in particular.

<sup>5</sup> The accommodation industry can be separated into two categories: serviced (B&Bs and alike), and non-serviced (such as caravan parks and self-catering accommodation).

the regulatory expectations remain somewhat unclear, has seen apparent competitors enter the market without comparative regulatory requirements, thereby (potentially) undermining this ‘level playing field’<sup>6</sup>. Further benefits include improved business procedures, a stimulus to encourage modernisation and innovation, improved networking, and finding legitimacy in existing business practices (Edwards *et al.*, 2003; IpsosMORI, 2007; Ram *et al.*, 2001). Clearly, such benefits do not have direct financial aspects to offset the financial costs; rare is the regulation that generates money. However, what this demonstrates is the need for a truly balanced approach to exploring and investigating regulation, which accounts for the ubiquitous existing negative bias and the difficulties of recognising benefits.

### 1.3 Micro-firms

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Micro-firms, also known as micro-organisations or micro-enterprises, are generally defined as firms with 0-9 employees (BIS, 2016; DTI, 1995), however other definitions are also in use, which leads to much confusion in the literature (Devins and Britain, 2003). Indeed, the ‘full’ EU (and thus, UK) definition, which is part of the wider EU definition of Small and Medium Enterprise (SME) firms (Recommendation 2003/361/EC), consists of three criteria:

- between 0-9 employees; and either
- annual turnover of up to €2 million (generally also taken as £2 million); or
- an annual balance sheet total of up to €2 million (generally also taken as £2 million);

Additionally, the firm must be autonomous (i.e. not a subsidiary of another firm) or remain under these thresholds even after a commensurate proportion of the partner firms is accounted for (Europa.eu, 2013; European Commission, 2003). This ‘full’ definition is rarely recognised (for all sizes of SMEs) and indeed, *“it is not possible to obtain data on enterprises defined as SMEs, according to a strict application of the SME Definition, using all relevant criteria”* (Centre for Strategy and Evaluation Services, 2012, p.4). This is despite evidence that strict application of the definition does in fact impact analyses. This study

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<sup>6</sup> The regulatory expectations of firms operating in the sharing economy, in this context ‘hosts’ for businesses such as Airbnb, are outside the scope of this study, however it remains a prominent and contentious issue which was frequently highlighted by both trade-associations and survey respondents. The perception is that such ‘hosts’ operate in the same market and provide almost the same experience as, for example, B&Bs, yet they are not expected and indeed do not conform with the same regulations. Thus, providing ‘hosts’ with an unfair competitive advantage. See Section 6.5.3 for details of how this may be explored in the future.

henceforth utilises the most widely adopted 0-9 employee definition<sup>7</sup>. However, much of the existing literature uses alternate headcount based definitions, subsumes micro-firms into a broader ‘small firm’ segment, or excludes micro-firms altogether; such is the case with Getz and Carlsen (2005), Servon *et al.* (2010), and Arrowsmith *et al.* (2003) respectively.

Despite the definitional confusion and difficulties for research, micro-firms remain an important part of the UK economy, given that of the estimated 5.5 million private businesses in the UK, 96% are micro-firms, accounting for 32% of private sector employment and 19% of private sector turnover (BEIS, 2016a)<sup>8</sup>. Moreover, BRE (2010) found micro-firms to be “*the main employers and wealth generators*” in rural and deprived areas, as well as “*the front-runners of urban regeneration*” (p.3). It is therefore important that the shortfall in micro-firm focused research is addressed. These figures are borne out in the tourism industry as well with almost 70% of hospitality firms employing less than 10 people. The industry itself accounts for 9.5% of UK employment and contributes 7.1% of UK GDP (Tourism Alliance, 2016). Furthermore, their size and limited resources make micro-firms particularly predisposed to reveal the effects of regulation, thereby making them an ideal (albeit difficult) subject of study (Edwards *et al.*, 2003).

Much of the extant research into micro-firms explores their intrinsic dissimilarities from large and larger-small firms, noting that they must be treated differently as they are not simply “*little big firms*” (Tilley, 2000, p.33). The primary area that distinguishes micro-firms from their larger counterparts is the role of the owner-manager, who is likely to be actively managing the business, as well as running the day-to-day operations of the firm (Edwards *et al.*, 2002; Kelliher and Reinl, 2009). This is especially true in firms with no employees as the owner-manager really must carry out everything themselves, indeed “*the smaller the firm, the more power resides at the centre*” (Kelliher and Reinl, 2009, p.523). With such a wide range of responsibilities and little support (as it is unlikely that employees act as ‘area specialists’ in the same way large firms have dedicated departments), owner-managers frequently fall into the mindset of ‘firefighting’, whereby they deal with what is in front of them, rather than dedicate time for business development of any kind (Falta and

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<sup>7</sup> This study’s survey itself accounts for each of the ‘full’ definition criteria, allowing for future exploration, which is discussed in Section 6.5.1.

<sup>8</sup> Furthermore, across the EU micro-firms account for 92% of businesses, yet the European Survey of Enterprises on New and Emerging Risks (ESENER) excluded firms with less than 10 employees in its initial run (2010) and firms with less than five employees in 2014 (Boustras *et al.*, 2015; EU-OSHA, 2010, 2014), demonstrating the widespread obliviousness towards micro-firms.

Gallery, 2011). Already stretched to the limit, owner-managers struggle not only with a lack of time, but also with a limited skillset (Carson, 1985; Johnson, 2002; O'Dwyer and Ryan, 2000).

This owner-centrality is thoroughly embedded throughout micro-firms. The owner-managers' attitude to regulation directly effects the way regulations are approached and implemented (Edwards *et al.*, 2003; Hart *et al.*, 2008; IpsosMORI, 2007). Given the negative bias around reporting and research, it is not surprising that owner-managers display a strong negative rhetoric towards regulation, claiming it to be a burden on their firms, an unwelcome intrusion and/or a perceived erosion of common sense (Edwards *et al.*, 2003; IpsosMORI, 2007). This extends to the perceived 'fairness' of regulation (Mendoza *et al.*, 2016), which encompasses these issues of intrusion and erosion, along with a view of how attainable and achievable the goals of regulation are, and thus, whether the costs are considered 'fair'. There could be a strong argument made that the disproportionate costs of compliance (as have already been noted) suggest that regulation is inherently 'unfair' on micro-firms. Furthermore, this attitude also extends to the broader assessment of other firms in the industry. Boustras *et al.* (2015) refer to this as the 'reference state', i.e. the baseline from which decisions are made relating to the effort expended to comply with regulation (from research right through to implementation). For example, this suggests that if the owner-manager believes that a particular regulation is generally ignored by those in the industry, then they are more likely to ignore it themselves.

Owner-manager centrality further conveys itself through firm performance metrics. While generally, businesses are thought to be profit driven, and thus 'the more the better' (for example: Murphy *et al.*, 1996; Strielkowski, 2012; Wiklund and Shepherd, 2003), owner-managers of micro-firms are more likely to measure performance through the subjective assessment of personal goals (Dewhurst and Horobin, 1998; Greenbank, 2001; O'Dwyer and Ryan, 2000). This is important to realise because these factors impact the decisions that owner-managers make regarding their firms. For example, while larger firms may relentlessly pursue growth, and thus make decisions that lead to expansion, an owner-manager of a micro-firm may value the social aspects of dealing with customers, and thus limit expansion to ensure that they alone have plenty of time to do so (Dunkelberg *et al.*, 2013; Shinkle, 2012). Furthermore, in an effort to avoid regulation and risk, owner-managers may specifically structure their firms to avoid the need for employment (BRE, 2010). Moreover, judged solely on financial metrics, many micro-firms would be deemed to be

performing poorly, however this is immaterial if the goal is actually to pursue a desired hobby or to achieve financial security (profit satisficing rather than becoming ‘wealthy’).

Thus, the owner-manager is central to the performance of the business and understanding their motivations is paramount to research. It is already clear that they are stretched to the limit, however as they generally regard outside support agents as interference and refuse to engage with supportive activities, such as training sessions (irrespective of who provides them), they have limited opportunity to improve. This is in part due to their insular nature and because they simply lack the time to do so; a firm with no-employees must shut down to attend a one-day training course. Instead, there is a general reliance on support from professionals, such as accountants, whom are frequently noted for supporting micro-firms, though the true nature of this support has not been thoroughly explored. The overall complexities of financial matters can make it almost impossible for an untrained owner-manager to ‘muddle-through’, thus the reliance on an accountant to handle, for example, taxation and payroll. It is unlikely that accountants are in a position to provide robust regulatory support in addition to their primary role, nor would they likely relish the additional responsibility. Indeed, Pleasance and Balmer (2013) found that despite a general reliance on accountants, small firms actually turn to trade-associations for regulatory support matters.

Trade-associations<sup>9</sup> play many important roles, particularly for smaller firms. Crucially, they provide their members with exclusive access to collective services, such as legal, financial, and marketing advice; along with bulk purchasing schemes, possible only due to the breadth of the membership; and additionally, collective bargaining power, again due to the overall size of the membership (Bennett, 2011; Bennett and Ramsden, 2007; Tomlinson, 2012); thus potentially fulfilling many of the common shortcomings of micro-firms<sup>10</sup>. Further to this, trade-associations play a vital role as conduits for disseminating information. Indeed, SMEs appear to favour trade-association membership specifically for access to advice and there is certainly some evidence of improved awareness of industry issues among member firms (Battisti and Perry, 2015).

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<sup>9</sup> Broadly defined as multi-member meta-organisations in which member firms pay a subscription to sustain the association for the benefit of the members, industry and society (Rajwani *et al.*, 2015).

<sup>10</sup> More detail on the role of trade-associations within the tourism industry, along with their role in this study is included in Section 2.4.2.

Micro-firms are further distinguished from larger firms by their general informality (Arrowsmith *et al.*, 2003; Ram *et al.*, 2001). This is in part directly due to their size and the centrality of the owner-manager (i.e. active throughout the firm, rather than a CEO locked away in an office), but there is also considerable cross-over between the fields of micro-, family- and entrepreneurship-firms. Specifically, micro-firms are often noted for their ‘family feel’ (Hasle *et al.*, 2012). Such informality itself suggests that micro-firms lack rigid structures and procedures, thus are likely to fall short of complete compliance with regulation. This informality ranges from flexible working conditions to the close personal relationship between the owner-manager and their employees, which in-itself can improve communication and ease workplace tension (Matlay, 1999). These close relationships not only inform many of the decisions throughout the business, such that employees (or family members) have a greater degree of influence, but they also offer a rare opportunity for owner-managers to view the burdens and benefits of regulation from both their position and that of their workers. This may indeed alleviate the ‘burden’ of regulation, such that the costs of mandated holiday time are offset by observing friends/family enjoying time off. This is not to say that this is unique to micro-firms, but the immediacy of the relationship between owner-manager and employees is closer, such that it becomes more readily apparent.

It is not safe to say that a simple solution would be to blanket exclude micro-firms from some or all regulation. Whether the consequences are intended or not, regulation is generally designed with a positive goal in mind. Those who work-for or deal-with micro-firms should not necessarily be disadvantaged by the size of the company. Using the case of Workplace Pensions, a micro-firm could view this as a supplementary cost (and therefore ‘burden’) of employment, as it is in addition to wages, for example. While this particular example was implemented over several years using a phased rollout (defined by firm size), there is little argument to justify that workers in micro-firms should not be entitled to a workplace pension simply because of the size of the firm they choose to work for. Furthermore, such exclusions would likely increase employee turnover, as employees move to (even slightly) larger firms for additional benefits, while firms themselves would have an incentive to remain small, thus unnecessarily stifling growth in jobs and artificially limiting opportunities for micro-firms.

## 1.4 Thesis aims and rationale for each paper

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Up to this point, this chapter has noted the potential impacts of regulation and the unique features of micro-firms, along with the pervasive negativity of existing research. There is clearly a need not only to better understand micro-firms, but to also specifically address regulatory impacts from their perspective (rather than from the perspective of larger, even small, firms, the results of which have generally been applied to micro-firms, despite their different requirements). Such an approach must account for the centrality of the owner-manager, their fierce independence, and their reluctance to accept outside assistance. Herein lies the purpose of this study and thus, the rationale for each of the papers. Three key areas have been chosen for greater focus, namely knowledge, performance, and compliance; knowledge is necessary for an owner-manager to understand regulatory requirements; compliance is necessary to avoid penalties (and is likely preferred by owner-managers); and it is through performance, which micro-firms measure differently to larger firms, that business success is ultimately judged. Having given the wider context in this introductory chapter, the papers consider these issues in greater depth.

In light of Kitching's (2006) view that extant literature fails to appropriately consider regulatory benefits, this study explicitly avoids the existing and pervasive narrow conceptualisation of regulation as only a burden or constraint on firms. Instead, it adopts a balanced approach, exploring regulation and the three primary areas from multiple viewpoints including, types of knowledge, both the benefit and burden, and perceived compliance levels. Throughout, the focus remains on owner-managers and their perceptions of regulation (given their unique central role in micro-firms).

The thesis itself has a number of goals (in addition to the goals of each paper), which are given as follows:

- Address the general deficit in micro-firm research;
- Explore regulation in a micro-firm context, using original survey data;
- Consider the opinions and perceptions of owner-managers, which, given their unique central role in almost aspects of micro-firm operations, thereby elevates these perceptions to paramount importance;
- Critically investigate common research assumptions, such as self-assessment, measures of performance, and the pervasive negativity in regulatory research;



- Adopt a balanced approach, thereby contributing to existing regulatory literature by assessing both the benefit (which is often overlooked) and burden of regulation.

### ***1.4.1 Paper One: Knowledge***

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#### *“Managerial Hubris, Trade-Associations and Regulatory Knowledge in Micro-Firms”*

It is logical that for micro-firms to be compliant with regulation, their owner-managers (as the singular driving force of the business) must have and maintain operational knowledge of regulation. However, it would seem that doing so is quite difficult as the range and complexity of legislation demands a thorough and nuanced understanding of thousands of regulations, yet the day-to-day demands of the business leave little time to maintain regulatory knowledge. Indeed, BRE (2010) notes that the “*government would not expect an inspector to have this level of cross-sector expertise*” (p.7). Furthermore, it is not simply enough to possess knowledge as owner-managers must correctly understand and apply it, as well as comprehend their level of knowledge in order to know where it is deficient. Essentially, they must know what they know and what they do not, thereby revealing what they must learn. This process is not easy and is particularly difficult in the isolated context of micro-firms and their somewhat untrained managers. This stands in contrast to, for example, medical professions, where the constant self-assessment of knowledge is widely practiced (Ward *et al.*, 2002).

Many existing studies into regulation simply assume knowledge and focus on compliance (Kitching, 2016), while others typically investigate only self-assessed knowledge, usually through Likert scales which assess the level or confidence of knowledge (Akinboade and Kinfack, 2012). However, there is considerable evidence that not only is self-assessment an acquired skill in its own right, but it is one that micro-firm owner-managers lack (Sitzmann *et al.*, 2010). Without this skill, they are unlikely to realise what they do not know and therefore are unlikely to try to rectify their knowledge deficit, to say nothing of lacking the time to do so. Moreover, research which relies on self-assessed levels of knowledge are likely to suffer from low accuracy, given that self-assessment is poor and knowledge levels among owner-managers are likely to be poor also.

In addition, there is a need to better understand from where owner-managers draw information about regulation. Extant literature suggests a number of knowledge sources, although what little research exists regarding micro-firms suggests that special consideration

should be made for the role of trade-associations. Furthermore, having noted the dichotomy between Perceived- and Actual-Knowledge, it is necessary to explore both forms of knowledge, thereby identifying any differences between them. Policy, at governmental, intermediary (i.e. trade-association), and the firm level can then be discussed in light of the findings.

The goals for the first paper, are as follows:

- Establish the level of Perceived- (i.e. self-assessed) and Actual- (i.e. tested) knowledge of micro-firm owner-managers;
- Explore the differences between them, therein noting the accuracy of self-assessment, which is important both for owner-managers and for research which relies on self-assessment measures;
- Explore the factors which influence both forms of knowledge, particularly the impact of trade-association membership;
- Address how self-assessment accuracy and actual knowledge can be improved, given the known resource constraints of micro-firms.

### ***1.4.2 Paper Two: Performance***

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#### *“The Impact of Regulation on Micro-Firm Performance”*

This second paper explores the natural consequence of regulation on firms: that of the impact on business performance. This may in fact be the single most important aspect from the perspective of firms, and one which, particularly in a micro-firm context, is presently hindered by misconception. To begin with, the negative reporting on regulation issues manifests itself mostly in this area, that regulations are a burden on firms, by imposing costs and unwarranted rules. Moreover, one strand of research, including that of some government reports, finds this burden to disproportionately impact micro-firms. However, according to another strand, the strong negative rhetoric, from research and firms themselves, does not always manifest as a quantifiable negative impact on firm performance. There is a clear need to reconcile these conflicting strands of literature in order to create a better understanding.

Such reconciliation may be possible through the exploration of performance itself, with the owner-managers of micro-firms, generally favouring broad personal goals over traditional financial profit-motivated performance metrics. Thus, while this paper briefly explores financial measures, it mainly focuses on subjective goal based measures of performance, in

particular, the owner-managers' satisfaction towards a number of goals. In doing so, it becomes clear that traditional approaches to micro-firm performance, be-it in research or in efforts to improve performance, may be addressing on the wrong aspects. Hence, the contrary strands of prior literature may be resolved through the use of more appropriate performance measures.

Additionally, existing research focuses on one-dimensional scales of attitude, in that it is explored as a single level between two extremes; burden or benefit/fair or unfair. In an effort to steer away from the negative rhetoric, this paper explores two distinct scales in parallel: Perceived-Value and Perceived-Burden. This allows owner-managers to express both the negative and positive, as indeed, regulatory measures can be both a strong burden (in the cost of implementation, for example) and provide a strong benefit (for example in ensuring a lowest common standard throughout an industry) all at the same time, not one at the expense of the other. This two-dimensional view of attitude is a unique point of difference for both this paper and the study as a whole, allowing for a more nuanced understanding of the role of attitude on performance (in the case of this paper) and compliance (in the case of Paper Three).

The goals for this second paper, are as follows:

- Adopt a broader, non-financial, measure of performance, which is favoured by micro-firm owner-managers;
- Investigate a more robust measure of attitude, through the exploration of the Perceived-Value and Burden of regulation;
- Explore how Perceived-Value and Burden impact both financial and non-financial measures of performance;
- In doing so, seek to reconcile the contrary strands of existing literature on the subject of regulatory impacts on performance.

### ***1.4.3 Paper Three: Compliance***

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*“Perceived Regulatory Compliance in Micro-Firms: The Case of English Accommodation Firms”*

Building on the themes and findings of Paper One, like knowledge, there is likely a dichotomy between the owner-managers' perceived compliance level and the actual level of compliance, given that self-assessment is poor and any deficit in knowledge is likely to lead

to non-compliance, no matter how slight or intentional. Indeed, knowledge, and the factors that influence it (as identified in Paper One), are direct drivers for compliance. Although the distinction between Perceived- and Actual-Knowledge is established in Paper One, this entirely subjective view of compliance is similarly influenced by the perceived level of knowledge. Additionally, the compliance level of other firms in the industry (referred to as ‘competitors’ throughout) influences the ‘reference state’ from which owner-managers may base decisions, i.e. owner-managers may be more likely to follow laws which are believed to be widely (at least somewhat) complied-with. As with self-assessment, the assessment of others is an acquired skill which owner-managers generally lack and they even lack the information required to make detailed observations of other firms, instead forming opinions based on hearsay and rumour, influenced by the pervasive sense of their being ‘better than average’ (Boustras *et al.*, 2015; Krueger and Mueller, 2002; Kruger and Dunning, 2002; Meeran *et al.*, 2016; Moore and Small, 2007). Furthermore, the insular nature of micro-firms reduces the opportunities for networking, which might otherwise provide evidence of competitor behaviour. Nonetheless, such opinions are developed and they inform decisions within the business, even subconsciously.

In order to better understand micro-firms and regulation, the exploration of Perceived Own-Firm and Competitor Compliance levels allows for a greater understanding of the wider effects of regulation on micro-firms. As with Papers One and Two, policy can then be discussed in light of the findings. The goals for this final paper, are given as follows:

- Establish the perceived level of Own-Firm and Competitor Compliance with regulation;
- Explore the impact of Perceived Competitor Compliance on the level of Perceived Own-Firm Compliance (i.e. the relevance of the reference state);
- Explore the impact of perceived (i.e. self-assessed) knowledge on perceived levels of compliance;
- Explore the impact of Perceived-Value and Burden of regulation on perceived levels of compliance;
- Address how regulatory compliance may be improved in micro-firms.

## 1.5 Chapter summary

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This introduction chapter has presented the core concepts for this study, namely the near-universal reach of regulation and the unique, ubiquitous, but often ignored micro-firms which make up the majority of firms. In doing so it has highlighted a number of areas that require further exploration, either due to existing confusion or a dearth of research. Indeed, the three primary areas of study, namely knowledge, performance, and compliance, have each been previously researched, but generally using a singular perspective and with an inherent negative bias towards the ‘regulatory burden’.

The aim of the study is to address the shortfall in micro-firm research, challenge existing research norms, and develop recommendations for both policy and future research. Thus, each of the three papers herein explores these areas with a fresh, balanced approach, tailored specifically towards these aims and the realities of micro-firms.

The remainder of the thesis is set out as follows. The next section provides details of the background and methodological approach of the study, such as the regulatory context, the manner in which data was collected, and the analysis of part of that data. Following that, each of the papers is presented in turn. Next, Section 6 provides a summary of the overall research findings, conclusions and contributions (both theoretical and practical); before detailing future directions for research, both using the existing data collected for this study and for prospective research projects. Finally, Section 7 draws this research project to a close, before a number of appendices are provided, that expand on the survey and study website.

## 2. Background and Methodological Approach

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### 2.1 Chapter introduction

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As described by the previous section, the papers herein include all the necessary, although inevitably brief, detail regarding their respective methodologies, such as information on the survey development, variables, and the analytical methods employed. However, the study incorporates further background information which, while important, is not necessarily suitable to include in an academic research paper, either in full or even briefly (given the limited length permitted). This section then, does not repeat what is already in the papers, but expands upon each area. For example, the use of unsolicited survey comments and the thematic analysis behind this is only mentioned in the papers as required, thus full detail of the process and resulting themes are presented here in Section 2.5. Indeed, wider detail on the entire process of the study, from the early pilot study (Section 2.4.1), through to the use of a survey and its distribution method is presented (Section 2.4.5), along with a specific rationale for including the chosen four areas of regulation, the legislative Acts behind them, and their apparent ‘burdens’ and benefits (Section 2.3). Finally, while Section 2.7 provides wider information on the characteristics of respondents (such as the proportion of serviced/non-serviced firms and respondent gender/age), no detail on the many variables constructed from the data or statistical analyses employed are given here, but can instead be found in the papers.

### 2.2 Research philosophy

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Ontology, epistemology, axiology, and methodology are closely related concepts which inform each other and the underlying nature of research, thus it is important to understand the approach used in this study. Ontology relates to the assumed form and nature of reality, epistemology relates to the nature of the relationship between what can be known and the researcher, and axiology relates to the ethical nature of research (Creswell, 2003; Easterby-Smith *et al.*, 2002; Mertens, 2015). Furthermore, axiology explores how the ontological and epistemological viewpoints are brought together to form ethical research, thereby leading to a research paradigm, which ultimately informs the research design that is employed (Aliyu *et al.*, 2015; Mertens, 2015; Mittman, 2001).

While various authors have explored research paradigms, it is generally acknowledged that they exist on a continuum ranging from positivism to (some form of) interpretivism/constructionism (Easterby-Smith *et al.*, 2002). The core difference stems from the ontological perspective employed, with positivism viewing the world as both objective and external, while interpretivism/constructionism views the world as subjective and socially constructed (Easterby-Smith *et al.*, 2002; Mertens, 2015). From this the epistemological approach is then defined, with positivist researchers being independent of the world and seeking to hypothesise and deduce causal explanations, while interpretivist researchers consider themselves part of the world they are observing and developing theories based on their observations (Easterby-Smith *et al.*, 2002; Mertens, 2015). The axiology therefore brings these perspectives together, such that positivists hold that the good outcomes of research must be maximised while respecting research subjects, whereas interpretivists/constructionists assume that a wide ranging, balanced account of views is necessary (Christians, 2005; Guba and Lincoln, 1994; Mertens, 2015).

In this study the ontological view employed is that of an external, observable, discrete world, and thus, one in which the author is independent (Guba and Lincoln, 1994). This is in part (mostly) due to the personal beliefs of the author, and in part because a small majority of the existing research into micro-firms adopts some form of interpretivist view (and therefore, qualitative methods), thereby presenting a gap in the literature to be addressed. This ontological perspective means that the study assumes there are observable elements which interact in a regular, ordered manner, and thus, can be explained. Consequently, the paradigm employed is positivism. The epistemological perspective therefore suggests that the researcher and the research subjects are independent, with theories developed from existing knowledge which are in turn used to develop hypotheses. These can then be tested by operationalising specific variables, resulting in a contribution based on the causal explanations of the interactions between the observable elements (Easterby-Smith *et al.*, 2002; Mertens, 2015). In light of the positivist paradigm adopted, the axiology manifests as a duty to conduct ‘good’ research, in which a research should aim to maximise the positive outcomes, both for the research participants and society. Furthermore, there is an aim to protect research participants from harm and exploitation, while also ensuring they are treated with research (Christians, 2005; Mertens, 2015).

The ethical considerations for this study are detailed in Section 2.6. However, it is noted that such matters were actioned at an early stage of the study, through the use of a valid research

design, approved by independent academic appraisal, an appropriate sample selection, and clear instructions on the voluntary nature of the study, along with the way data would be used. This then leads into the research methods which are utilised (detailed in Section 2.4 and each paper herein). Positivism generally (although not exclusively) uses quantitative methods and that is the primary case in this study. Theories are developed from existing literature, resulting in specific, testable hypotheses. The required concepts are operationalised as variables, which are ultimately collected through a survey, sent to a large sample of relevant individuals. The results are then analysed using statistical methods. In order to better understand the causal links in the observed results, the study also employs a supplementary qualitative analysis of general comments, which are also collected via the survey. While this may appear somewhat unusual, mixed method research approaches are becoming increasingly common. Across the three papers herein, it is then possible to combine the individual results, thereby developing new knowledge which is useful for both practical (thus benefitting the research subjects) and academic purposes (thus benefitting the researcher and future researchers).

## **2.3 Regulatory context**

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In order to create a manageable research project, this study focuses on four specific areas of regulation which are generally applicable, both within and beyond the tourism industry: health and safety; employment; anti-discrimination; and fire. Each area is briefly described below, along with the Acts which confer power to them in English law (as the study is concerned only with firms in England, due to differences in regulations that exist in the UK's devolved regions). Note that these descriptions were correct at the time of the survey (2014-2015) and changes since have not been included. While some questions are tailored towards the industry, throughout, the study is concerned with broad applicability (hence the regulatory areas chosen), rather than industry specific legislation, such as hot tub maintenance or gambling machines (for firms with such facilities). Much of the following summaries are adapted from the 'Pink Book' (VisitEngland, 2012, 2014), which is a frequently updated reference guide to tourism regulation that is provided to all (paying) members of VisitEngland (the English tourist board).

For each of the regulations detailed herein, there is a brief assessment of the 'burden', ranging from the number and complexity of the Acts that define them, to specifics relating



to implementation, as well as a view to the benefits. As has already been noted in Section 1.2, short of promoting compliance in order to enhance reputation and public image (and therefore entice customers), none of these regulations offer a direct monetary boost to firms. In addition to the potential benefits described below, each regulation should help to enforce a lowest set of standards and therefore, a level playing field from which all firms in the industry should achieve, thus the ‘burden’ is shared by all firms, although the impact on individual firms (particularly when comparing the smallest and largest) may be disproportionate in relation to size, turnover and the number of guests.

### **2.3.1 Health and safety**

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*Occupier’s Liability Acts 1957 and 1984, Employers’ Liability (Compulsory Insurance) Act 1969, Health and Safety at Work Act 1974, Bunk Beds (Entrapment Hazards) (Safety) Regulations 1987, Electricity at Work Regulations 1989, Gas Cooking Appliances (Safety) Regulations 1989, Health and Safety (Display Screen Equipment) Regulations 1992, Manual Handling Operations Regulations 1992, Workplace (Health, Safety and Welfare) Regulations 1992, Electrical Equipment (Safety) Regulations 1994, Gas Safety (Installation and Use) Regulations 1998, Provision and Use of Work Equipment Regulations 1998, Management of Health and Safety at Work Regulations 1999, Control of Substances Hazardous to Health Regulations (COSHH) 2002, Adventure Activities Licencing Regulations 2004, General Product Safety Regulations 2005, Work at Height Regulations 2005, Health Act 2006 (VisitEngland, 2012)<sup>11</sup>.*

This is perhaps one of the most complex areas of regulation included in the study as it encompasses so many different Acts of legislation. While it is fair to say that in some cases, only part of the required behaviours of these regulations apply, or they only apply to firms offering certain facilities, the fact remains that firms must at least consider them all (to ascertain what action, if any, is required to ensure compliance). It is most likely the breadth of health and safety legislation that has led to its (somewhat inaccurate) reputation as an all-encompassing and troublesome area of law (HSE, 2017b, c). So much so that it is frequently criticised for all manner of odd behaviours, the majority of which are not actually covered by the various Acts. Thus, because its name is invoked so readily, it imparts a particularly strong sense of unease in overcautious owner-managers (of all sizes of business, and other

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<sup>11</sup> Fire regulations are also included in this chapter of the book, but have been listed separately for this study under Section 2.3.4.

officials), along with the vitriol it causes in the public. Indeed, the Health and Safety Executive has, for many years, hosted a ‘mythbusting’ report, aimed solely at investigating and debunking spurious claims of health and safety’s use and scope (HSE, 2013, 2017b) and directly responds to many highly publicised cases (HSE, 2017c). Existing research indicates that micro- and even small firms exercise poor compliance with health and safety legislation (Boustras *et al.*, 2015; Vickers *et al.*, 2005), although given the number of Acts and widespread confusion regarding such regulation, this is not necessarily surprising. Meanwhile, the Tourism Regulation Taskforce (2012) have campaigned for better consideration of ‘low hazard workplaces’ and improved, sector specific approaches to requirements and enforcement, particularly in the low risk domain of accommodation<sup>12</sup>.

However, while health and safety regulation may have a poor reputation, many of the measures are essential to protect firms, their employees, and the public. They ensure that appropriate safety equipment is available (such as harnesses for those working at height) and that people are trained to use such equipment (as misuse of equipment can be as dangerous as the absence of safety equipment due to the false sense of security its presence provides). Indeed, the Health and Safety Executive host a page listing the benefits of ‘good health and safety’, such as reduced costs, reduced risks, fewer accidents, and improved standing among suppliers and partners (to name but a few) (HSE, 2017a). For accommodation firms, they ensure that the equipment provided to guests is safe to use, prevents injuries to customers (as well as employees), and perhaps prevents even death (for example even a simple reminder about the dangers of open fires indoors may prevent carbon monoxide poisoning).

### **2.3.2 Employment**

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*Employment Rights Act 1996, Employment Tribunals Act 1996, National Minimum Wage Act 1998, Working Time Regulations 1998, Employment Relations Acts 1999 and 2004, Employment Acts 2003 and 2007, UK Borders Act 2007, Equality Act 2010 (VisitEngland, 2012).*

Employment law is limited to considerably fewer regulatory Acts than health and safety, but is still complex in its own right. The Acts listed above enforce restrictions on base pay levels,

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<sup>12</sup> Which is not to say that the sector is entirely without risk. B&B kitchens contain considerable dangers while caravan parks require ground maintenance that necessitates specialised and potentially hazardous equipment (e.g. hedge trimmers). Indeed, in a recent widely reported case, a park worker was killed while moving a caravan, which was ultimately found to have been caused by poor health and safety training (thus implying poor regulatory compliance) (BBC, 2015; BH&HPA, 2015).

the number of hours that can be worked (one of the few areas where UK law specifically operates outside of general EU boundaries), the need for firms to check potential employees are eligible to work in the UK, and the need to prevent unfair discrimination. Such obligations are particularly troublesome for micro-firms who generally prefer to operate with greater informality (Arrowsmith *et al.*, 2003; Edwards *et al.*, 2003). Moreover, the abundance of micro-firms in the tourism industry, combined with widespread use of informal and family labour, increases the risk of non-compliance (intentional or otherwise) in this area. Furthermore, regulations which impose specific restrictions, such as maternity/paternity leave, can be a particular problem as they often present themselves with limited notice and require the firm to both continue to pay an employee who is not working, while struggling by with either costly, yet limited, or no cover for the role.

While minimum wage is included in the study (through this employment law context), following the closure of the survey, updates to legislation have increased the complexity of minimum wage, thereby providing a clear example of regulatory change over time. Originally set with two, age-dependent levels, minimum wage has grown to encompass four age-dependent bands and an apprentice rate (which is either age or tenure/training dependent). In 2016 the uppermost age band was renamed ‘National Living Wage’ with its rate divorced from the common commencement date (i.e. the date that other wage bands rates increase, and indeed, other regulations or regulatory changes are brought into force) in October of each year. Furthermore, this rate should not be confused with ‘The Living Wage’ rate which is devised by the Living Wage Foundation (rather than being recommended by the Low Pay Commission), and has no legal authority, but is widely accepted, particularly for businesses based in London, where the rate is higher. In short, a simple age-based minimum rate of pay which increased around the same time each year, now has age and contract-position bands, which change at different times of the year, and largely shares its name with a widely accepted, but non-governmental, higher rate with geographic, rather than age bands. Such additional complexity is especially troublesome for micro-firm owner-managers to keep track of and implement (Lewis *et al.*, 2015b).

The benefits of employment law perhaps reside most with employees, ensuring that they are treated well and are paid at least a minimum rate, which has increased annually, generally at or above inflation and (given the research of the Low Pay Commission) is regarded as a fair rate (LPC, 2016). While there are still cases contentious employment situations (e.g. the current wide scale use of zero-hour contracts), employment law prevents the worst atrocities

of the past, such as slave labour and sweatshops (at least to the extent of the reach of regulation). For businesses, benefits may include a happier, more productive workforce and the knowledge that should an employee falsely claim otherwise, they can rely on the legal protections granted by following the law.

### **2.3.3 Anti-discrimination**

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*Equality Act 2010 (VisitEngland, 2012).*

This relatively recent Act consolidates and simplifies existing legislation, such as the Disability Discrimination Act (DDA) 1995 and the Equal Pay Act 1970 (to name just two), into a single package. It covers a number of areas, but for the purposes of this study, discrimination relating to employees (potential or otherwise) is included under employment regulation, while discrimination relating to customers and the general public are considered here. From the public perspective, the Act is designed to prevent discrimination due to factors such as gender, race, and religion, along with ensuring equal treatment and access to goods and services for those with disabilities. For micro-firms, one area which can be problematic is the requirement to make ‘reasonable changes’ to procedures and premises to ensure equal service for all potential customers (Charlton, 2011). Not only is this principle-based term of ‘reasonable changes’ open to vast interpretation but also any changes to a micro-firm will likely be difficult given their resource limitations (Gerrard, 2011). A further salient issue for the accommodation sector, which remains unresolved, is the apparent inability to refuse single-sex groups. Common in the industry, it is generally the intention to refuse parties, particularly stag and hen groups whom are often associated with anti-social and damaging behaviour. However, legal action found this to be a breach of gender equality (BH&HPA, 2009; Government Equalities Office, 2010). It has already been noted (in Section 1.2) that the full, 320 page ‘official guide’ was produced more than three months after the Act came into force, although shorter guidelines were developed by a number of different sources in the intervening time (Peck *et al.*, 2012).

The benefits of such regulation, while noble and just in its intension, are generally aimed at a societal level, given that the purpose is to protect consumers from unconscionable and discriminatory behaviours. As with employment regulation, the prescribed behaviours (and defined prohibited behaviours) grant businesses a better understanding of what is and is-not acceptable, thereby enhancing the experience for guests, while granting assurances that compliant firms are protected from false or spurious claims. It is perhaps through vaguely

defined benefits such as (potentially) appealing to a wider customer base (VisitBritain, 2016), that negative rhetoric regarding regulation as a one-sided burden takes hold (Fooks and Mills, 2017).

### **2.3.4 Fire**

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*Regulatory Reform (Fire Safety) Order 2005 (VisitEngland, 2012).*

Fires can devastate lives and businesses, so prevention and fire-fighting equipment and procedures are essential safety measures. As in the case above for equality law (indeed, before it), the Fire RRO (as it is generally referenced) consolidated more than 120 Acts of legislation (BRTF, 2007), while also shifting from a prescriptive (i.e. owner-managers are given clearly defined requirements) to a principle-based approach (i.e. owner-managers must interpret and apply regulation based on broadly defined requirements). However, evidence suggests that unlike larger firms, micro-firms in particular crave the certainty of clear, prescriptive advice (BRE, 2010). Prior to the Act, the fire brigade would inspect a property, demand any changes as required and issue a fire certificate as proof of compliance. This Act instigated the notion that firms, rather than the fire brigade, were best positioned to consider their own fire risks, and therefore requires firms to appoint a ‘responsible person’ to carry out an onsite fire risk assessment. However, no training was provided and indeed, reliable guidance documents were not provided until 2008, years after the legislation came into force (HM Government, 2008). While it was intended as a simplification, owner-managers of micro-firms found themselves forced to undertake new responsibilities for which they lacked the skills. In addition, different fire brigades, whom still inspect businesses to ensure compliance, apply different interpretations of the various requirements/suggestions, thus creating vast differences in demands throughout the country (Tourism Alliance, 2011; Tourism Regulation Taskforce, 2012). For numerous micro-firms, particularly B&Bs of which many are the owner-managers’ home, the new requirements (such as integrated fire detection and alarm systems), and (in some cases) intransigent inspectors, found their formerly compliant businesses now non-compliant and liable for additional costs of around £15,000 for ‘suitable’ equipment (Walton, 2007). Following the “*worst UK hotel fire in 40 years*” (BBC, 2011, p.1) enforcement of the RRO became more pro-active, leading to legal action being taken out against hundreds of hotels and guesthouses, many of whom were compliant under the pre-RRO rules, which in turn led many firms to close down as they were unable to meet the ‘unreasonable’ demands for changes and costs (Fire Safety Engineering,

2009; Gerrard, 2011; Tourism Regulation Taskforce, 2012). The apparent demands of the fire regulations, combined with the confusion caused by variation between regions directly led to the creation of two industry trade-association groups: The Bed and Breakfast Association and BedPosts (BBA, 2014; BedPosts, 2014), such was the need for greater support (through the combined research and experience pool) and representation (to seek clarity over requirements and lobby for future changes), thus demonstrating both the scale of problem and the importance of trade-associations in the industry.

The benefits of fire regulations are perhaps the most obvious of those included in the study: to prevent fire, and injuries or loss of life in the event of one. While there may be a debate over the exact requirements, these regulations should ensure that appropriate fire prevention, and firefighting equipment and procedures are in place, while also ensuring evacuation plans are prepared.

## **2.4 Research approach**

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### ***2.4.1 Early pilot study***

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While pilot studies may be deployed for a number of reasons, the goal here was to test sample generation, ascertain the response rate (through various methods of contact), and assess the internal validity and reliability of the questions/measures utilised. Unfortunately, it was necessary to commence the pilot during the summer months of 2013, which is the busiest time for those in the accommodation industry and so many potential respondents simply lacked the opportunity to participate. Additionally, shortly after the pilot survey was launched, the British Holiday and Home Parks Association (BH&HPA) sent an advisory to its members regarding a government initiative to crack down on tax evasion within the industry (HM Government, 2013), resulting in a general weariness towards a study based on regulation, which collected revenue information. These factors led to a response rate of only 6.25%, limiting the statistical possibilities. It had originally been planned that the pilot would be analysed using the techniques proposed (and later used) for the main survey, but with so few responses, this simply was not possible. Furthermore, a number of questions were presented in multiple formats with the twin aim of testing accuracy through triangulation and choosing the best format to use in the main survey. For example, in addition to assessing the Perceived-Burden (using the methods seen in Appendix 3 and 4) a further question (for each regulation) asked respondents to signify the impact of that regulation on a 7-point,

bipolar scale from ‘no impact’ to ‘heavy impact’ (Dillman *et al.*, 2014). This was to be used as corroboration at the pilot stage, with the potential for the question to be used in the main survey. Additionally, where concepts such as Perceived Own-Firm Compliance are developed from the responses to one statement in the main survey, a wider array of statements were included in the pilot with the intention to assess the best statement (or construct of them) to use. Without this pilot data, these assessments were made via informal interviews with potential respondents and through discussion with the supporting trade-associations (see Section 2.4.2). However, the pilot study process was overall successful, providing a number of learning points which informed the study at large. These are discussed throughout the remainder of this section.

To begin with, a random sample of 160 firms was created through the use of two websites: UKparks.com, the BH&HPA member directory; and BedAndBreakfast.com, an independent directory with an extensive collection of firms. This data, mostly containing firm contact information, was stored in a Microsoft Excel spreadsheet, along with ongoing tracking details regarding various communications with the firms. Through this process, it became apparent that a more flexible database-based system would be required for the study, containing a greater number of firms and more comprehensive communication tracking. The development of the participant database (and final sampling frame) is detailed in Section 2.4.3.

Next, the pilot tested different methods of contact: an email containing a link to the survey; an email detailing the survey with a promise of a link to follow (which was sent seven days later); a telephone call asking for permission to send a survey (online or postal) the following week; and a postal survey with covering letter. Each contact group received two follow-up communications, which were personalised and written to ensure it was clear that the content was different in each round (Cook *et al.*, 2000; Sauermann and Roach, 2013). It is of particular interest that none of the firms contacted with an email containing a link (i.e. with no prior communication) completed the survey, or even opened the link to explore it. This suggests that when using digital communication, prior communication before the survey is required, rather than preferred, as the extant literature would suggest (Cook *et al.*, 2000; Sauermann and Roach, 2013). Thus, for the main survey, prior contact was made for all digital recipients.

Beyond this, several other important factors were identified. Firstly, the need to undertake the survey outside of the busy summer months, whilst also ensuring that firms which close during the winter ‘off-season’ still had ample opportunity to participate. Secondly, the need to incorporate self-catering accommodation, both because it broadened the potential range of respondents, and because it quickly became apparent that many non-serviced firms (i.e. caravan parks) offer a range of self-catering units in addition to their caravan pitches (to name one example). Thirdly, the need to offer more information about the study than could be included in invitation and (brief) follow-up communications, thus the development of the support website, which is detailed in Section 2.4.4. Finally, given the response rate of the pilot, it appeared necessary to take all available steps to enhance the response rate of the main study, thus a prize draw was also incorporated, which is detailed in Section 2.4.5.

In addition, a number of direct changes to the survey were also made. Firstly, the number of questions were reduced, with a target of 12 A4 pages (which is half the length of the pilot survey). This was in part possible following a rationalisation of the purpose of the study (for example, the pilot treated minimum wage regulation as a distinct area, rather than incorporating it as part of employment legislation); and in part because several questions had been included specifically to allow for wider tests of the validity of certain measures. Given the response rate, such tests comparing the results of different questions were not possible, although a number of further tests were employed to ensure the validity of the final dataset. These are discussed in each of the papers herein. Secondly, the structure was re-arranged, such that the survey could begin with organisational information, then each area of regulation, then finally, performance and personal information. Some wording was altered to make it clearer that non-relevant sections could be skipped. Also, that questions relating to other firms should be based on perception, rather than definitive knowledge; i.e. “*I understand it is common in my industry...*” rather than “*my competitors operate in accordance with...*”. This was necessary following feedback that respondents held opinions, not proof, about the workings of other firms, thus they declined to answer the original wording.

It is clear that the pilot study provided a wealth of information, which proved essential to the success of the main survey and the study overall. The survey was streamlined, with several questions refined based on respondent feedback. Furthermore, the sampling frame was broadened to better represent the industry and an enhanced communication plan was devised, along with a more flexible database management system. Although it was not possible to



run the originally intended statistical tests, refinements were made and alternative tests were later utilised (which found the final dataset to be valid).

### **2.4.2 Trade-association support**

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Prior literature has established (detailed in Section 1.3) that trade-associations have the potential to play a vital role, fulfilling many of the shortcomings which plague micro-firms. Furthermore, in a regulatory context, there is evidence that trade-associations already “*offer some guidance that is more concise and reader-friendly than official government advice*” (BRE, 2010, p.14), which is likely because they are better positioned (than government agencies) to tailor advice towards their members. Indeed, two of the trade-associations in the accommodation sector (The BBA and BedPosts) were formed as a direct result of changing fire regulations, which left many firms unsure how to maintain compliance, while lacking the collective voice to shape or respond to legislative demands (BBA, 2014; BedPosts, 2014). In addition, trade-associations act as gatekeepers to their membership. Indeed, Fan and Yan (2010) note that sponsorship and endorsement are generally found to improve survey response rates, thus it is clear that trade-association endorsement (and access to membership) is critical to ensure the success of a study such as this.

Trade-association support was solicited with two specific purposes. Firstly, helping to develop (thus, tailor) the survey towards member firms. As with tailoring guidance, this leverages the unique knowledge that trade-associations possess regarding the make-up of their membership. Secondly, through an endorsement and promotion of the survey to the various memberships. Support was sought from all of the leading trade-associations and marketing groups in the accommodation industry, with letters, emails, and telephone calls being placed to initiate dialogues from around the time of the pilot study. In addition, many of the associations publish their membership, often through guidebooks or directory websites, thus allowing for a sampling frame to be devised. This is discussed in Section 2.4.3.

Early communication with the BH&HPA appeared promising, which was expected due to their widespread use of research, strong lobbying position, and the prominence given to regulation in the bi-monthly *BH&HPA Journal*, which is distributed to all members. Indeed, the earliest communications were particularly positive and the raw results of a prior BH&HPA survey were shared. Additionally, during this time several suggestions were made, such as a preference for the term ‘anti-discrimination’, rather than ‘consumer equality’

(the former term is found in the survey and the papers herein, the latter term was used during the pilot study). Further refinement was also made to the ‘knowledge tests’, which led to a revision of several test items and a revised question stem which made it clear that an absolute response was required, rather than a detailed set of conditions in which a statement may be true or false. Unfortunately, despite the early positive communication and a continued commitment to addressing concerns, no formal endorsement was ultimately provided.

In a similar vein, the BBA became involved at an early juncture (January 2014), and while they did not possess prior research to share, they made several suggestions for the survey. Many of these revolved around the wording of the fire regulation questions. The BBA were in fact the first trade-association to offer an official endorsement. They were provided with an article regarding the study and survey to include in their monthly *Bed & Breakfast News* magazine. They were also given a unique link for members to use to access the survey, which was sent to their 8000+ membership via email.

While dialogue with other trade-associations began around the same time, other endorsements were made after the survey launched, thereby demonstrating the strength of the finalised survey, as it directly led to further endorsement of the study itself. Endorsements were made by the British Hospitality Association, Farm Stay UK, and VisitEngland (the English tourist board). As before, each was provided with a bespoke article for their respective magazines and newsletters, as well as unique links to the survey. In addition, it is worth noting that both the University of Bath School of Management and Centre for Governance and Regulation were widely promoted throughout the study. With each new endorsement, the communications and support website were updated to reflect the wider acceptance of the study. Three further groups chose to inform their members about the survey without offering a formal endorsement. These were BedPosts, the National Caravan Council, and the Tourism Society. Several other groups were approached, including both the English Association of Self Catering Operators, and the Federation of Small Businesses. However, where responses were received, no support was forthcoming.

Following the development of each of the papers herein (along with any future papers utilising this study’s dataset, see Section 6.5.1), it is intended that the findings will be circulated to all relevant trade-associations (whether they endorsed the study or not). Thereby positively impacting future activities through the insights and implementation of the recommendations herein (Section 6.3). Additionally, bespoke articles based on the

research will be offered to each trade-association for inclusion in their respective publications. It is hoped that this successful study and the close integration of trade-associations, will help to foster relationships for future research projects, both with the associations that supported this study and, by example of this study, those that did not.

### ***2.4.3 Participant database and sampling frame***

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A bespoke database was developed for the purposes of the study, specifically designed to store participant data including both contact information and tracking of all communications. The database was created in Microsoft Access (as it was the most suitable package), consisting of a number of linked tables developed to Third Normal Form (3NF); meaning that table records are connected via unique codes, with no duplication. The database relationship diagram is presented in Appendix 1. The need for such a database was highlighted through the pilot study, which used a similar approach via a simple spreadsheet. The upgrade to a database allowed for easier and more detailed querying (to use the technical term) of firm and communication data, for example ‘a report of firms who have been contacted in the last X days’ and what messages they were sent.

Data was sourced from a number of publicly available websites, including UKParks.com (the BH&HPA membership directory), BedAndBreakfast.com, the Motorcaravanners’ Club Handbook, the Little Green Book, Farm Stay UK’s website, BedPosts, the AA accommodation website, and The Caravan Club’s directory of certified location sites<sup>13</sup>. Across the various tables a number of data points are included, beginning with contact details for each firm (such as business name and address), along with optional contact details for specific individuals. This was necessary because, particularly in the tourism context, there is widespread use of generic email addresses, such as enquiries@ (336 cases in the database) and info@ (770 cases in the database), which may not necessarily be directed to the owner-manager. Where possible, personalisation was used to address communications to a named person and individual email addresses were used when available. Additional fields included whether or not a firm has completed the survey, their eligibility for the prize draw, and whether they have requested to be excluded (from future communications). A total of 293

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<sup>13</sup> Certified Locations are small parks, operated by Caravan Club members, and authorised to accept up to five Caravan Club members at a time. They do not require licencing by the local council and many can be found as ancillary extensions to other businesses, utilising land that would otherwise have little purpose. Caravan Club owned parks were excluded as they form part of the Club, which does not meet any criteria of the micro-firm definition.

firms were marked as excluded, with reasons such as retirement, no time or inclination to take part, and business closure. Details about each firm's facilities, such as the type of accommodation available, the number of rooms or pitches, revenue, and profit were also included where available. This was sourced from firms' own website, trade publications and financial data submitted to Companies House. In 14% of cases (the maximum possible), this information was later compared with survey responses to validate the authenticity of the results which had been provided. No evidence of bias or misreporting was found. Finally, the content of each message (be-it an invitation or follow-up), along with the date and method of each communication was also included. Such additional detail, while not strictly required for the study, allows for a future review to ascertain the most successful methods of communication to each sub-sector over time, along with other aspects, such as the effect of additional trade-association support on response rates. Such future possibilities are explored further in Section 6.5.1.

#### ***2.4.4 Support website***

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Through the pilot study, it became clear that there would be a constant struggle between brevity, which increases the chances of a communication (letter or email) being read, and detailed information, which enhances understanding and alleviates concerns. To address this, a single-webpage support website was developed. Written in a conversational tone, it includes information about the study, thereby allowing communications to be shorter while offering a link to more information for those who seek it. This information is tailored both to prospective survey respondents and to other organisations, such as trade-associations, who may wish to participate in some way. Appropriate links to the University website are also included. The website has been maintained throughout the study, starting before the launch of the survey, through to the present day. For example, new trade-association endorsements were added as they became available and news updates on the study are also detailed. In addition, the use of a website allowed bespoke web links (URLs) to be created (all within the same branding pattern) thereby giving each supporting trade-association their own (accountable) unique link to promote the survey (for example, *bizsurvey.org/bba* for the Bed and Breakfast Association). The support website received a high level of traffic throughout the duration of the survey, with several respondents and potential respondents using it to both get in contact (via email and telephone) and undertake the survey.

The live website can be viewed at **bizsurvey.org**. Archived versions of the site are also available at **bizsurvey.org/archive**. Copies of three key versions of the website (before, during, and after the survey) are presented in Appendix 2.

### ***2.4.5 Survey approach***

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A survey method was chosen for the study because it allows standardised responses to be collected for a wide selection of variables, in an efficient manner, from a large sample. Whereas in-depth interviews or case-studies, while useful in their own right, may not result in the wider applicability of findings, and may also be unduly influenced by the specific circumstances of individual firms (Edwards *et al.*, 2002; Edwards *et al.*, 2003). Additionally, given the difficulties regarding access with micro-firm owner-managers (Johnson, 2002), a survey has the advantage that it requires minimal time investment, which can be undertaken at the convenience of the owner-manager. Interviews, in contrast, require more time and greater planning.

At the time the survey was being developed, there was considerable prior literature regarding the relative differences between online and postal surveys, although the rapid pace of technological development had already outdated many of the research findings. For example, several studies note the potential bias towards younger and more affluent respondents of online surveys (Fan and Yan, 2010), although the proliferation of online devices has vastly reduced such disparities (Schley, 2013). Similarly, there was a preponderance for treating online surveys as inherently inferior, rather than simply an alternate medium. In contrast Manfreda *et al.* (2008) found online surveys to be comparable to postal surveys, although suffering from an average 11% lower response rate. Furthermore, online surveys present a number of advantages, such as dynamic layouts and instantaneous feedback (with no need for respondents to actually ‘return’ the survey), not to mention the lower administrative costs (Fan and Yan, 2010). Given the ceaseless expansion of digital devices and the benefits (cost and otherwise), this study used a mixed-mode approach, offering both online and postal surveys. More recent literature suggests this approach was valid, while confirming the ongoing suitability of online surveys (Dillman, 2016; Wolf *et al.*, 2016).

Questions for the survey (both versions) were developed with careful consideration to avoid the introduction of subtle bias. Following the guidance of Dillman *et al.* (2008) and later, Dillman *et al.* (2014), efforts were made to devise questions tied to the underlying concepts, in an appropriate and easy to follow format. Further to this, specific efforts were made to

follow the balanced (rather than burden-led) approach laid out in Section 1.4. Such as avoiding leading questions, presenting both the positive and negative in questions stems (i.e. *“how much do you agree or disagree with...”*), and avoiding the term ‘burden’ in all but one part of the scale items (which are also offset by other scale items). Scales, and the underlying questions, were developed in line with Spector’s (1992) guidelines and tested for convergent validity, which was found to be above the accepted minimum in all cases (DeVellis, 2012). Each of the papers herein expand further on the additional validation methods employed and, in line with the requirements of the target journal, the appendix table in Paper Three provides more detail, including the Cronbach’s alpha value, for each scale variable.

While it is necessary for these two versions of the survey (online and postal) to be as similar as possible (even the formatting matches as closely as is practical), to prevent introducing bias, a small number of differences were unavoidable, which are detailed here. The introduction and closing text differs to reflect how the postal version must be posted back with the included freepost return envelope, while the online version simply requires a push of the ‘submit’ button. The postal version is paginated to fit 12 A4 pages, whereas the online version (which allows for an infinite number of questions per page) presents each block of questions (i.e. organisation questions, then each set of regulation questions, and so on) as a separate page. As all postal entries were tracked, there was no need to collect region information, yet the online surveys could have been completely anonymous, so they included a map for respondents to note their broad location<sup>14</sup>. A comparison of the results of postal and online responses showed no evidence of systematic bias caused by the method used.

Given the experience of the pilot study, ensuring a suitable response rate became a primary concern. While several new steps were taken in the survey and communications, such as personalisation, highlighting the salience towards owner-managers, and industry endorsement, incentives were also provided through the use of a prize draw. There is considerable research into the use of incentives<sup>15</sup>, although no consensus has been reached. For example, while Gendall and Healey (2008) recommend the inclusion of money (or similarly valued items) with postal surveys, Dennis Jr (2003) found no incentives had a meaningful impact on response rates. Furthermore, the move towards online surveys negates the opportunity to provide many incentives, instead relying on codes to redeem money or

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<sup>14</sup> Online surveys can in fact estimate a respondent’s location automatically, but the process suffers from poor accuracy and it can be easily deceived, so a location question was preferred.

<sup>15</sup> Note that the survey was devised-by and launched-in 2014, meaning that the state of research has likely changed since, but had no bearing on this study.

vouchers, which lacks the immediacy of simply putting money in an envelope with a survey (Cobanoglu and Cobanoglu, 2003; Snyder and Elliard, 2012). Charitable donations were also considered, however, the majority of extant research found this to be of limited benefit and may actually perhaps reduce the response rate (Gendall and Healey, 2010), so they were discounted as well.

The study instead opted for a prize draw, in which prizes consisted of four Amazon vouchers with values ranging from £25 to £100. In order to qualify, respondents had to complete the entire survey (and return it in the case of postal entries), including entering their name and email address. As surveys were recorded, their eligibility was noted in the participant database. Shortly after closing the survey, all qualifying entries were listed out in a table and four row numbers were randomly selected using Microsoft Excel's `RANDBETWEEN()` function, in which the first and last row numbers were set as the lower and upper bounds between which a random number was generated four times. Each winner was contacted by telephone before an email containing the voucher code was dispatched. The winners also agreed to allow their names to be presented on the support website.

The survey was distributed over the course of six months from October 2014. The prolonged period presented the opportunity for firms that close in the 'off-season' to take part, while avoiding the busiest holiday periods. Through practical necessity, firms were contacted in groups, thus spreading the distribution throughout the survey period. This also allowed the communication messages to be updated, such as with the addition of new endorsements, over time. Paper surveys were numbered and posted to randomly selected firms and firms for whom there was no obvious email address. 2,000 copies were produced and only a small number were retained for firms who specifically requested the postal version. The surveys were dispatched with a freepost return envelope and a covering letter which detailed the purpose of the study, the approximate length of the survey, the prize draw, and referred to the support website for further information. Additionally, logos for each endorsing trade-association were included on the covering letter and were updated throughout the distribution period. Firms who received a postal survey were sent several follow-up messages via email and one via post. Following the pilot study, all firms who were contacted via email were sent a pre-invitation notice a short time before the invitation with survey link. Both referenced the support website to allow for brevity. These firms were also sent email follow-up messages on a number of occasions. All communications were developed using the guidelines laid out by Dillman *et al.* (2008) and Dillman *et al.* (2014). A total of 706

responses were collected, a highly respectable response rate of 19% (Saunders *et al.*, 2015), of which 44% were postal entries, with the remaining 56% completed online.

Copies of both the postal and online versions of the survey are included in Appendices 3 and 4 respectively.

## **2.5 Constant-comparison thematic analysis of survey comments**

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Due to various resource and time restrictions, it was not possible to undertake widescale interviews with survey respondents. In lieu of this, the comments provided in the survey's open comments box were formally analysed using a constant-comparison thematic method as defined by Krueger and Casey (2009). Via this technique, the comments were labelled with codes related to their content. Throughout the process, these codes are compared with each other (the 'constant-comparison') to limit duplication. Later, the codes were again compared and grouped together into overarching themes. The themes (and indeed individual codes) can then be used for interpretive analysis, with direct quotes included to provide illustrative examples, thereby ensuring that such an analysis is thoroughly rooted in the data. In this study, and in particular throughout the papers, the thematic analysis is used to inform the interpretation of the quantitative results, especially in relation to causation within identified variable relationships. Due to the length limitations of the papers, little detail is provided regarding this analysis, with only the relevant themes, sub-themes and quotes discussed in each case. However, this section of the thesis provides greater detail on the analysis and all of the themes.

It is important to note that this analysis is of an unsolicited comments box at the end of a 12-page survey. Indeed, the precise wording of the prompt was: "*is there anything else you would like to tell us about any of the issues raised in this survey?*", which explains why the second largest theme is classified as 'miscellaneous'. A strong level of triangulation is possible, given that the themes independently generated by the comments, match the statistical analyses so closely (such as an emphasis on value and burden, and noting the non-financial business goals). Furthermore, many of the comments and specific terms used by respondents, can be found in other studies (such as Peck *et al.*, 2012, Figure 2.2 in particular). This points towards interviews as a rich data source for future research, which is explored in Section 6.4.



The remainder of this section lists each theme, along with the number of remarks and a brief description, before offering illustrative quotes. Many of these quotes can also be found in Paper's One and Three, where they are used to explore the quantitative results. There are 197 responses with entries in the open comments box, leading to a total of 205 codes, with 473 remarks, combined to form 10 themes. Where quotes are listed, the respondent ID is given in parentheses. The absence of a theme, or a thread within a theme (such as trade-association support for non-regulatory issues) should not be taken as evidence that such an absence exists, only that its presence was not noted, which is not surprising given the context and the prompt provided. This is where real interview data would provide a fuller account.

**Details about the firm and the respondent: 159 remarks.** This was the largest overall theme, in which respondents provided extraneous information about either themselves or their business. Of these, 72 comments specified that the respondent firm was small, while a further 26 noted that their revenue was considerably less than the £75,000 (i.e. the lowest) revenue tier presented in the survey. Some background relating to firm diversification was also included, along with the age of the business and succession planning. Illustrative quotes include:

*Our business is not only micro, it's miniscule! (1910).*

*Running a small business is a nightmare, particularly where it concerns public health/safety/employment law! (2287).*

*I am a very small Bed & Breakfast and although sensible regulation is very important I sometimes feel that we are in danger of losing our individuality and for the experience for my guests I want them to feel at home (3463).*

**Trade-association support: 14 remarks.** These comments related directly to the support sought and provided by various trade-associations; including improving knowledge, checking compliance, and reliance on regulatory matters, along with demonstrating knowledge which has clearly been given by trade-associations. Illustrative quotes include:

*Being part of a membership organisation probably makes me more aware of legislation and other issues, than independent operators (2016).*

*Visit Britain have to reissue their Pink Book guide every year just to keep up with the continuous changes and additional restrictions (4031).*

*I rely on the Caravan Club to guide me in matter regarding regulation of the Caravan Club site aspects of the business (5379).*

**Sharing economy: 13 remarks.** These comments specifically refer to the sharing economy, and indeed, frequently name Airbnb in particular. They demonstrate the growing concern surrounding firms which respondents believe represent unfair competition as they currently fall under different regulatory scrutiny. Although not included in this analysis, several trade-associations additionally remarked on this notion as well. Illustrative quotes include:

*Businesses that choose not to be inspected [by the tourist board] are often under the radar and don't get visits from Environmental Health, fire officers, etc. (1937).*

*The most important issue for small hospitality businesses is, in my opinion, unfair competition from 'businesses' that are potentially unregulated as they trade using non-standard methods such as Airbnb (2176).*

**Lack of information, support and knowledge: 28 remarks.** This theme represents specific complaints relating to the lack of information and support (and thus the resulting knowledge deficit) provided by the government, local councils, and regulators. Indeed, the tourist board and their inspectors are frequently singled out. Illustrative quotes include:

*Local councils should issue booklets on fire and health and safety – not seen anyone or had contact in 18 years! (1855).*

*Setting up and building a new campsite has been far more difficult than it should have been. Very little support from council and licencing authorities (3106).*

**Burden: 87 remarks.** While not the category with the most remarks, this theme does consist of the highest number of individual codes (i.e. the widest variety of statements). Comments include various complaints relating to the 'burden' of regulation, consisting of both cost and time. There were many specific comments relating to individual regulations, including some not featured in the survey. Additionally, many respondents referred to regulation as a form of 'assault' on businesses and demonstrated somewhat cynical beliefs regarding the 'true' purpose of regulation and a widespread lack of common sense. Illustrative quotes include:

*Good practice in my Bed & Breakfast is followed as a matter of routine but a diary RE: hygiene is a waste of my time which I deeply resent, cooking only 4 breakfasts max a day! (1878).*

*Regulations have a disproportionate impact on small businesses. Compliance sometimes has a very disruptive impact if you do the right thing e.g. maternity leave. We have no specialist resources to cover such things and nobody seems to appreciate that running a small business is like living in a turret with different types of regulator attacking from all sides (53).*

*Feel many regulations designed across the board and do not always 'fit' to small business without incurring costs. Reduced my staff due to PAYE rules and regulations which meant more time on computer and away from hands on work (1963).*

**Value: 18 remarks.** This theme demonstrates the acceptance of the need for regulation and regulatory compliance amongst firms. Many comments refer to respondents 'trying their best' to comply and 'do the right thing', even in the face of the apparent 'burden'. Illustrative quotes include:

*I don't think there are many businesses that don't accept the need for certain regulations. Compliance of regulations is important but they do need to be made far more appropriate to micro-businesses (2980).*

*I believe that regulations are essential for the safety of the public (3804).*

**Goals: 8 remarks.** These comments relate to the reason owner-managers operate their firms and highlight their enjoyment in doing so, often specifically in spite of regulatory 'roadblocks'. Regulation was also mentioned here, but only as the cost of doing business. Illustrative quotes include:

*I have enjoyed running my Bed & Breakfast business in the last 20 years (1820).*

*My husband who is 84 and myself run it and do not employ any staff. It enables us to stay in our lovely home, otherwise we would have to downsize (2078).*

*There is a lot of satisfaction to be had providing holiday makers with lovely accommodation, which I guess is why I am still doing it (4048).*

**Poor understanding of micro-firms by regulators: 7 remarks.** While the theme with the fewest remarks, these comments highlight the differences between one and two-person firms against larger SMEs. They also demonstrate a belief that little thought is given to micro-firms when designing regulation, with requirements written for larger firms before being applied to everyone. Several comments call for ‘sensible’ exemptions for micro-firms. Illustrative quotes include:

*Too many regs are designed for large business then applied to small/micro-businesses i.e. turnover less than 100k. Phrase sledgehammer and nut come to mind. I with only 6 letting rooms have to comply to same rules as Holiday Inn and Hilton types of hotels (4653).*

*Another [regulatory overreach] is the gas regulation where any premises selling items requires a gas certificate including a ventilation system. Fine except it even includes a church hall occasionally having a bring and buy sale. They need to spend thousands on a ventilation system not used 95% of the time. A little thought and a genuine intention to improve things surely would include an exemption for small users (66121120<sup>16</sup>).*

**Non-regulatory burdens: 27 remarks.** Perhaps confirming prior literature that owner-managers ‘tend towards the negative’ (Edwards *et al.*, 2003; IpsosMORI, 2007), these comments highlight further burdens on firms, in addition to the regulatory burdens already detailed. These include difficult trading conditions, changing guest attitudes, finding quality staff, a pervasive litigious public attitude, rising costs (such as business rates and bank charges), and third-party review sites/online travel agents. Amongst these comments, some respondents were further disheartened by a lack of support and their perceived treatment by the government. Illustrative quotes include:

*The regulations, compliance and the change in attitude of guests (more demanding, less understanding of what a B&B is and should provide) has meant that I have decided to close the B&B and reopen as self-catering only (1697).*

*As a society we desperately need a significant cultural shift to make people take much more responsibility for the consequences of their own actions and to*

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<sup>16</sup> This respondent, along with several others, undertook the survey online, completely anonymously and without entering the prize draw, hence the different naming convention.

*ignore the compulsion felt to increase regulation every time the red top press select another issue to publicise in an effort to maintain their own sales (4031).*

*Health and safety has served its purpose but common sense needs to be readdressed and instilled in young people (2156).*

*It is the continual rising costs of business rates, electricity, waste disposal, insurances, bank charges, customer relations that have a bigger impact on running a business (5592).*

**Miscellaneous survey (non-regulatory) comments: 112 remarks.** While this appears to be one of the largest themes, it merely reflects the source as an open comments box about anything included in the survey. Indeed, these comments are mostly unrelated to the study, and instead query aspects of the survey, or include apologies for delayed completion. Furthermore, there are several somewhat vitriolic comments related to the survey itself, mostly surrounding the lowest revenue tier on offer (in addition to those who simply highlighted that their revenue was particularly lower than the tier amount), and querying the inclusion of questions aimed at exploring social desirability. In particular, many respondents felt these questions were too personal and appeared out of place in a ‘business related’ survey; moreover, many commented on how they boycotted the questions. It is surprising that these aspects drew such ire and Section 6.4 details how future studies may integrate this insight. Additionally, 10 of the remarks were somewhat related to knowledge of competitor compliance. Illustrative quotes include:

*The (earnings) revenue for this survey are much higher than mine last year my income was less than £5,000 (1728).*

*For many of our 21 years we were members of the English Tourist Board (or whatever it chooses to call itself these days) and also Quality in Tourism. We feel that these expensive quangos have done very little to protect [their] members from threats such as those outlined above and seem to be concerned only with their latest fad promotions many of which have provided us with no tangible benefits whatsoever. We are however pleased that at long last someone has taken the trouble to ask us our opinions (2175).*

*I don't see the relevance of the last section! Not answering! (3528).*

## **2.6 Ethical and data considerations**

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Ethical approval was sought through the standard University process and was granted before data collection commenced.

Participant consent was provided by the voluntary completion of the survey. All communications and the survey itself were written to clearly identify the voluntary nature of the survey. Where trade-association support is highlighted, it was done-so as endorsement, without suggestion that member firms should be induced to participate. Throughout communications and the survey, the nature of the study was made clear, as were the requirements of participants, potential or otherwise.

A prize draw was offered to entice completion of the survey (as detailed in Section 2.4.5). Entry was voluntary (in addition to the voluntary nature of the survey), with participants freely choosing to enter by including their name and email address. This information is stored separately from the response data.

This study is relatively low risk with minimal sensitive information required, much of which is self-identified into category form at the point of collection, rather than seeking exact detail. Potentially sensitive questions are generally of a business, rather than personal nature. There is a small risk that participants admit to regulatory ignorance or non-compliance, however this is negated as all recorded data is treated confidentially, with participants identified only through participant coding throughout the sample database and response data. All data is stored securely, in protected environments and in accordance with the Data Protection Act (1998). Any reports (of any nature) on the study will only use aggregated data. Where quotes are used as part of the thematic comment analysis, any potentially identifying information is anonymised to ensure that no particular firm or individual can be identified.

## **2.7 Participant characteristics**

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While each paper herein details the variables used in their respective analyses, it was not always suitable to include wider descriptive characteristics about respondents and their firms. In addition to the information provided in the papers, these details are gathered here in Table 1.

| <b>Table 1: Participant characteristics</b>     |            |       |       |
|---|------------|-------|-------|
|   | Percentage | Mean  | SD    |
| Accommodation Type                              |            |       |       |
| Serviced  | 39.54%     |       |       |
| Non-serviced                                    | 60.46%     |       |       |
| Ownership Model                                 |            |       |       |
| Sole-trader                                     | 49.64%     |       |       |
| Partnership                                     | 39.57%     |       |       |
| Limited company                                 | 10.79%     |       |       |
| Accommodation Units (such as rooms and pitches) |            |       |       |
| Overall   |            | 18.81 | 47.15 |
| Serviced  |            | 05.22 | 04.69 |
| Non-serviced                                    |            | 27.73 | 58.90 |
| Number of Workers                               |            | 02.79 | 01.94 |
| Revenue   |            |       |       |
| Up to £75,000                                   | 80.56%     |       |       |
| Up to £500,000                                  | 16.67%     |       |       |
| Up to £2,000,000                                | 02.04%     |       |       |
| Years in Business                               |            | 15.67 | 11.30 |
| Respondent Age                                  |            | 58.93 | 10.05 |
| Respondent Gender                               |            |       |       |
| Female  | 61.03%     |       |       |
| Male  | 38.97%     |       |       |

## 2.8 Chapter summary


This chapter has elaborated upon the background and methodological detail provided in each of the papers herein. In doing so, it has explored the context of each of the four areas of regulation included in the study. It has also provided greater insight into the wider research approach, such as the successful pilot study (which informed so much of the main study), the need-for and use-of trade-association support, the use of a website to display information about the study (thus allowing brevity in some communications with potential respondents),

and a more detailed account of the survey methods that were chosen and employed, from question development to distribution. In addition, a far more comprehensive description of the thematic analysis of unsolicited survey comments is given than can be found in the papers. Indeed, it explains the analytic process and includes all of the themes, with illustrative comments.

Over the next three sections, each of the papers is presented in turn, starting with declarations of authorship. Following the papers, Section 6 provides an overall discussion, bringing the results of the three papers together in a single, cohesive narrative.



### 3. Paper One: Knowledge

|  |   |           |                          |           |                                     |          |                          |           |                          |
|--|---|-----------|--------------------------|-----------|-------------------------------------|----------|--------------------------|-----------|--------------------------|
| <b>This declaration concerns the article entitled:</b>                           |   |           |                          |           |                                     |          |                          |           |                          |
| Managerial Hubris, Trade-Associations and Regulatory Knowledge in Micro-Firms    |   |           |                          |           |                                     |          |                          |           |                          |
| Publication status (tick one)  |   |           |                          |           |                                     |          |                          |           |                          |
| Draft  | <input type="checkbox"/>  | Submitted | <input type="checkbox"/> | In review | <input checked="" type="checkbox"/> | Accepted | <input type="checkbox"/> | Published | <input type="checkbox"/> |
| Publication details (reference)  | <p>This is the first revised and resubmitted version for the <i>British Journal of Management</i>, originally submitted February 2017 and resubmitted August 2017 in revised form. The version contained herein has since been altered in light of the viva voce examination. Note that this paper is referred to as “Chapter 3 in this thesis” in citations throughout the later papers. If accepted, the reference would read:</p> <p>Betton, M.E., Branston, J.R. &amp; Tomlinson, P.R., 2017. Managerial Hubris, Trade-Associations and Regulatory Knowledge in Micro-Firms. <i>British Journal of Management</i>.</p>  |           |                          |           |                                     |          |                          |           |                          |
| Candidate's contribution to the paper (detailed, and also given as a percentage) | <p>The candidate considerably contributed to the...</p> <p><b>Formulation of ideas:</b> 60%. I devised the basis of the paper, including the exploration of Perceived- and Actual Knowledge, and studied further literature as necessary. I created the initial draft of the paper, containing most of the ideas in raw form. From this, the second and third authors and I, made revisions throughout the paper, before we each approved of the initial version of the paper for submission. The same process was used to revise the version of the paper included herein in light of reviewer comments.</p> <p><b>Design of methodology:</b> 60%. I devised and refined the survey, based on the outcomes of the pilot study. I also developed each of the variables from the constituent survey questions and ran all of the statistical analyses, with methodological support from the other authors.</p> <p><b>Experimental work:</b> 90%. I alone conducted the survey, communicated with respondents (potential and otherwise), and liaised with trade-associations, although financial support for postal survey and the prize draw was provided by the second author.</p> <p><b>Presentation of data in journal format:</b> 90%. I followed the Author Guidelines for the <i>British Journal of Management</i> and read a number of articles from the journal, thus ensuring the presentation would be acceptable and in keeping with the expected level of work. Special consideration was given to the word count, wherein the paper uses the higher limit available, which was justified through the number of hypotheses and the need to fully explore the range of issues involved, along with addressing reviewer comments. Tables are embedded in the text as the paper is presented herein, but were provided in a separate file for journal submission. Tables 5 and 6 include extra statistical detail and are presented differently than similar tables elsewhere in the thesis to address a specific reviewer comment.</p> |           |                          |           |                                     |          |                          |           |                          |
| Permission   | Permission was granted by the journal Associate Editor to include the revised draft of this paper in the thesis, provided that public access to the thesis remained embargoed for a set period after publication.   |           |                          |           |                                     |          |                          |           |                          |
| Candidate Statement  | This paper reports on original research I conducted during the period of my Higher Degree by Research candidature.  |           |                          |           |                                     |          |                          |           |                          |
| Signed   |    |           |                          |           |                                     | Date     | 25/09/2017               |           |                          |

# **Managerial Hubris, Trade-Associations, and Regulatory Knowledge in Micro-Firms**

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## **Abstract**

In micro-firms the manager must be both the chief decision-maker and a specialist in many, if not all, areas of the business. This wide range of responsibilities can reduce the opportunities to maintain knowledge of regulatory matters, thereby risking misguided attempts at regulatory compliance, and hence potentially ruinous unnecessary costs and/or prosecution for breaking the law. It is therefore essential that managers are aware of deficiencies in their knowledge, so they can seek improvement, and avoid over-confidence – hubris – in their knowledge levels. Using newly collected survey data from micro-firms in the English accommodation sector, we present an analysis of the level of regulatory knowledge that micro-firm managers think they possess, and what they actually possess, over four core areas of regulation. Using multivariate techniques both Perceived-Knowledge (from self-assessment) and Actual-Knowledge (from a simple test) of regulation are found to be different and generally poor. Additionally, attitude is found to influence both forms of knowledge, while trade-association memberships are also found to enhance Perceived-, but not Actual-Knowledge. We suggest several methods to improve both knowledge and self-assessment skills through a co-ordinated cross trade-association campaign, as the lack of alternatives means they remain best suited to deal with micro-firm managers.

**Keywords:** Micro-Firms, Regulation, Perceived-Knowledge, Actual-Knowledge, Trade-Associations, Self-Assessment.

## 1. Introduction

Managers of all businesses must make decisions based on their knowledge and understanding of an ever-evolving set of regulations<sup>1</sup>. However, in small firms and particularly micro-firms, the wide range of responsibilities and potential lack of skills or specialist knowledge may impact managers' knowledge and understanding of the applicability of particular regulations, and/or the detail of how they should be implemented (O'Dwyer and Ryan, 2000). For a business to succeed it needs to comply with all applicable regulations, whilst expending the least amount of resources in doing so. A poor level of understanding of regulations can result in misguided attempts at regulatory compliance, which risks incurring unnecessary costs and/or prosecution for breaking the law. For smaller firms, the resulting fines, reputational damage, and/or loss of business due to temporary closure can quickly exceed their limited resources (Boustras *et al.*, 2015; Shalini, 2009). It is therefore important to understand what managers know and how much they think they know about the regulations applying to their business, and the sources of this Perceived- and Actual-Knowledge.

A potential danger is managers are liable to exhibit hubris (overconfidence in their imperfect knowledge) leading to (poor) ill-informed decision-making. There is a rich literature exploring managerial hubris in a variety of contexts, including entrepreneurship, unethical governance, and the decisions taken by corporate executives (Cassar, 2010; Haynes *et al.*, 2015; Hayward and Hambrick, 1997; Hayward *et al.*, 2006; Hiller and Hambrick, 2005; Judge *et al.*, 2009; McManus, 2016)<sup>2</sup>. This literature suggests that hubris is a real concern for businesses and it is likely to be especially serious for micro-firms who lack the resources to withstand poor decision-making for a prolonged period. Typically, studies on regulation, particularly those involving micro-firms, assess the 'burden' of regulation but crucially fail to explore the level of knowledge and understanding that sits behind the assumed burden (Kitching, 2006; Kitching *et al.*, 2015). Furthermore, micro-firms are frequently overlooked in favour of larger 'small firms', while firms with no employees are often excluded, both in general terms, and in academic studies of regulation in particular (Arrowsmith *et al.*, 2003; Greenbank, 2000; Russo and Tencati, 2009). Yet knowledge-of, and compliance-with,

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<sup>1</sup> Regulation is the "imposition of rules by government, backed by the use of penalties that are intended specifically to modify the economic behaviour of individuals and firms in the private sector" OECD (1993, p.73).

<sup>2</sup> See Table 1 in Bodolica and Spraggon (2011) for an overview of hubris and its manifestations in managers and firms.

regulation is especially significant for micro-firms as managers often find themselves spread thinly, focusing on the day-to-day operations of their businesses (and hence ‘firefighting’) rather than finding time for business development (Falta and Gallery, 2011). They are also likely to suffer from a lack of managerial skill and experience, and wider business support (Carson, 1985; Johnson, 2002; O'Dwyer and Ryan, 2000) making them particularly vulnerable to hubris. For instance, Blackburn *et al.* (2015) find micro-firm managers often 'sort out problems on their own' and only 20% seek legal professionals when dealing with legal issues, despite lacking the expertise themselves. This makes micro-firms an ideal setting in which to explore regulatory knowledge, especially since they are also the most numerous type of businesses in the UK economy, accounting for 96% of all businesses, 32% of private sector employment, and 19% of private sector turnover (BEIS, 2016a).

The contribution of this paper is three-fold: it first makes a broad theoretical contribution by exploring the specific challenges micro-firms face with regulation, and in doing so it identifies the need to consider these firms separately from the ‘small firm’ segment they have tended to be grouped with thus far. It then makes a second, more specific, theoretical contribution by identifying the potential impact that both trade-associations and an individual’s perception of a regulation may have on the Perceived- and Actual-Knowledge of a micro-firm’s manager. The third contribution is an empirical one via the exploration of these theoretical positions through the use of original survey data and multivariate techniques. The level of regulatory knowledge micro-firm managers’ actually possess, what they think they possess, and the determinants of these is explored over four core areas of regulation. Employment, Anti-discrimination, Fire, and Health and Safety were chosen as they are areas where the relevant trade-associations are active, are widely applicable to all businesses which either have employees or are open to the public, and hence they broaden the potential impact of the results beyond the immediate case. Throughout we explore the possibility of hubristic behaviour.

The tourism industry is a fitting case for such a study as it predominantly comprises micro-firms (Tourism Alliance, 2016) and is highly regulated, with over 21,000 regulations estimated to be in effect (Tourism Regulation Taskforce, 2012). It is a significant sector in the UK economy, accounting for 9.5% of UK employment and contributing 7.1% of UK GDP (in 2014) (Tourism Alliance, 2016). Furthermore, Shaw and Williams (2009) argue there is little research into knowledge in a tourism context, and there are a substantial number

of trade-associations in the industry (with high levels of membership) making it an ideal context in which to explore the issue of regulatory knowledge within micro-firms.

The remainder of this paper is set out as follows. Section 2 reviews the relevant literature and in doing so it develops a number of hypotheses to be tested. Section 3 presents background on the chosen case, details of the survey that acted as the data source, and the methodological approach. Sections 4 and 5 then present, analyse, and discuss the results, before Section 6 briefly concludes.

## **2. Theoretical Background**

### ***2.1 Micro-Firms and Regulation***

Micro-firms, defined herein as firms with 0-9 employees (BIS, 2016c; DTI, 1995), are distinguished by the role of the owner, who is likely to be both the manager and also highly active in all parts of the business (Edwards *et al.*, 2002; Kelliher and Reinl, 2009). Unlike in larger (small) firms where there may be specialist support within the business, micro-firm owner-managers must not only be the chief decision-maker, but also a specialist in many (perhaps all) aspects of the business including regulation (Lovatt and Pratten, 2003; Matlay, 1999; Tilley, 2000). With the owner-manager's time stretched across all aspects of the business, there may be scarce opportunity to research and implement applicable regulations, potentially leading owner-managers to view regulation as a distraction from core business activities or to perhaps even ignore them (Akinboade and Kinfack, 2012; Atherton *et al.*, 2008; Edwards *et al.*, 2004). Micro-firms are generally found to be informal in their operations, with business practices which do not strictly follow regulatory procedures (Arrowsmith *et al.*, 2003; Ram *et al.*, 2001; Saridakis *et al.*, 2013). It might therefore be supposed that knowledge of applicable regulations, and the associated challenges of ensuring compliance, are particularly problematic for micro-firms. However, the actual impact of regulation on micro-firms is unclear since most studies in this area have either tended to consider them to be part of a broad small or SME (Small and Medium Enterprise) segment (e.g. Crain and Crain, 2010) or exclude (at least some of) them from analysis (BEIS, 2016b; Blackburn and Hart, 2002).

Even when studies are relevant, they have been somewhat split in their conclusions making it difficult to establish a clear picture. Some studies have suggested small firms are indeed

disproportionately affected by regulation (e.g. Collard and Godwin, 1999; OECD, 2001). Indeed, Carter *et al.* (2009) identify a stream of work with such conclusions and suggest the basis of such regressive costs are because some compliance costs are (partially) fixed and hence do not increase in proportion to size. Other studies reach contrary conclusions (e.g. Edwards *et al.*, 2003; Hart *et al.*, 2008; Vickers *et al.*, 2005). A review by Kitching (2006) found issues with identifying the direct impact of regulatory changes, although did suggest issues surrounding “*lack of awareness of regulation [and] deliberate noncompliance*” (p.803) might be responsible for such findings.

Irrespective of the impact of regulation, owner-managers must continually maintain awareness of regulatory developments and then take appropriate action when necessary in order to preserve regulatory compliance. This fundamentally requires a suitable understanding of the regulations so they can be interpreted correctly. However, there is much evidence that small firm owners lack the solid knowledge and understanding of regulations required (Atkinson and Curtis, 2004; Harris *et al.*, 2012; Lovatt and Pratten, 2003; Marlow, 2003; Sjögrén and Syrjä, 2015; Westrip, 1986). These knowledge deficits might also impact upon the employees of the business, as many employees in small firms may lack awareness of relevant regulations or their own legal rights, instead relying upon the interpretations (correct or otherwise) of the owner-manager (Atkinson *et al.*, 2016). For instance, Hart *et al.* (2008) found 67% of small business owners took personal responsibility when dealing with new regulation and 58% personally trained existing employees, further emphasising the need for owner-managers to have their own clear understanding.

In light of these discussions it is clear knowledge of regulation is crucial for the success of micro-firms, but work on small firms suggest it is likely to be lacking. We therefore posit that in relation to routine knowledge, owner-managers would ideally be expected to have close to 100% knowledge and certainly above 80% knowledge (Kane, 2013). Consequently, any score significantly below 100% should be considered poor as it implies owner-managers were lacking a substantial amount of functional knowledge. Thus, we specify:

*H1: Actual-Knowledge of regulation will be poor.*

## 2.2 Knowledge, Self-Assessment, and Attitude

Without a required qualification or formalised training programme for owner-managers of micro-firms, such individuals must assess their knowledge and then take action where it is thought to be lacking. Yet, most research (mainly in non-business contexts) reports that individuals are usually poor at assessing their own level of knowledge (Eva and Regehr, 2007; Eva and Regehr, 2011; Gordon, 1991; Kruger and Dunning, 1999, 2002; Meeran *et al.*, 2016) suggesting that owner-manager hubris is a real possibility. Indeed, the review by Sitzmann *et al.* (2010) found 56% of studies reported self-assessment to be inaccurate, rising to 80% for the few studies on businesses.

Businesses provide few opportunities for structured testing given (owner-)managers' lack time (Johnson, 2002; Sauermann and Roach, 2013) and hence many studies simply accept self-assessment to be an accurate proxy for Actual-Knowledge (Akinboade and Kinfack, 2012; Atkinson and Curtis, 2004; Nag and Gioia, 2012; Weerasiri and Zhengang, 2012). However, Stokols *et al.* (2001) developed techniques with SMEs using Likert-scale type questions to ascertain the perceived level of managerial knowledge, before testing this with a series of questions. Similarly, Alaaeddine *et al.* (2013) tests SME knowledge with a bank of questions regarding different aspects of a new law.

Given the paucity of research into the accuracy of self-assessment in a business context, most especially in a micro-firm and regulation context, along with the propensity for accepting self-assessment despite apparent inaccuracies, we can specify:

*H2: There will be no meaningful correlation between Perceived- and Actual-Knowledge of regulation,*

where we would expect either no statistically significant correlation, or one with a r-value below 0.10, which Cohen (1988) and Pallant (2011) define as the lower limit for a 'small correlation'.

Knowledge of one's shortcomings is not necessarily sufficient to prompt learning. Prior literature already denotes the hubris present in owner-managers, which suggests that they already know there is a limit to their knowledge (that being the basis of H2). Therefore, there must exist other factors which influence the drive to learn and thus, the knowledge level. IpsosMORI (2007) demonstrate the importance of owner perceptions or misperceptions through interviews, finding particularly negative perceptions of newer regulations, or

regulatory changes, which diminished with time. Edwards *et al.* (2003) and Hart *et al.* (2008) both demonstrate a link between these perceptions of regulation (i.e. if it is seen as good or bad for business, or as burden on the business) and their reactions, including efforts relating to compliance. This is particularly evident when a regulation is viewed as an unwelcome intrusion or an erosion of perceived common sense. This implies that a positive perception towards regulation, i.e. owner-managers' attitude, will affect their reactions to regulation. Furthermore, Edwards *et al.* (2003) and Hart *et al.* (2008) find that ultimately, owner-managers view regulation as a singular whole, rather than considering each regulation individually (i.e. as an aggregate, whose average is raised with every 'good' regulation and lowered by any 'bad' regulation).

It follows that this 'reaction' to regulation includes spending time on researching, understanding, and eventually complying with regulation. We therefore posit that a generally positive attitude towards regulation (such as viewing it as a benefit to the firm or society) will promote engagement with learning, thereby resulting in greater effort expended to learn about it (as well as implement measures to comply with it), while a negative attitude will result in less effort to learn and therefore, poorer knowledge. Thus, we specify:

*H3a: Perceived-Knowledge of regulation will positively correlate with attitude towards regulation.*

*H3b: Actual-Knowledge of regulation will positively correlate with attitude towards regulation.*

### **2.3 Source of Knowledge**

To understand the knowledge of regulation owner-managers possess, it is important to understand the sources of their knowledge. Existing research has identified a number of information sources used by micro/SME firms, such as the internet, personal networks, the media, external professionals (including consultants and accountants), and trade-associations (Bennett and Ramsden, 2007; Bennett and Robson, 1999b; King *et al.*, 2014; Peck *et al.*, 2012). Although 'the internet' is frequently listed as a source, it is in fact a conduit to sources of knowledge including: definitive official sources such as Government websites; and potentially unreliable sources such as blogs or news websites. Furthermore, the owner-manager needs to correctly interpret any information gathered, which is far from



certain. For instance, Peck *et al.* (2012) highlight that relevant information can be lost amid the ‘media noise’ and general negative opinion surrounding the reporting of regulatory matters. Moreover, they also note the media often discusses regulation during periods of pre-implementation policy consultation, further confusing readers about what is eventually introduced and hence what is required for compliance. Thus, the internet and personal networks might be perceived as being of variable quality and hence potentially unreliable sources due to their inherently limited accountability and subjective interpretation. There is also evidence that official sources of information, such as government agencies, have demonstrated poor success in reaching small firms or doing so in a timely matter (Blackburn, 2012; Blackburn and Hart, 2002; BRE, 2010).

Several studies note the extensive use of external professionals, mostly accountants, by small firms for business support and information seeking (BEIS, 2016b; King *et al.*, 2014; Pleasance and Balmer, 2013). However, the use of accountants may be over-reported as a source of wider support since the inherent complexities of financial matters, including payroll and taxation, make it difficult for owner-managers to ‘muddle through’ hence support is often needed in this area. Indeed, there is limited research into what information and assistance owner-managers actually seek from their accountants beyond direct accounting matters, and it is unlikely accountants can provide robust support for wider regulatory matters (e.g. fire-safety requirements). Pleasance and Balmer (2013) found that while accountants were far and away the most frequently used independent source of support in general, for regulatory matters, it is actually trade-associations that small firms turn towards.

Trade-associations can not only provide accurate and tailored information on relevant regulations given their inherent expertise (BEIS, 2016b), but may also generate further benefits as they offer an extensive range of services to member firms. Crucially such associations provide member firms exclusive access to a set of collective services typically including: legal, financial, and marketing advice; paid for services/consultancy in the aforementioned areas; research and development facilities; bulk purchasing schemes; and all typically at a lower cost than alternative market providers due to staff expertise, economies of scale, and lower transaction costs (Bennett, 2011; Bennett and Ramsden, 2007; Tomlinson, 2011). As such trade-associations may contribute significantly towards the apparent shortfall of resources and capabilities which micro-firms often suffer due to their inherent size.

While much of the research into trade-associations investigates their external role of lobbying (Bennett, 1998, 2000; Rajwani *et al.*, 2015), there is comparatively less into their role as a conduit for disseminating information among their members. When investigating the benefits of a variety of trade-associations to SMEs, Bennett and Ramsden (2007) found information and advice were both identified as a specific reason for sustaining membership. Battisti and Perry (2015) found that unlike larger firms, SMEs favoured access to individual advice over other factors available. They also found improved awareness of industry issues and ability to cope with problems were among the strongest benefits that SMEs achieved through membership. It therefore seems likely trade-associations have a role in enhancing the regulatory knowledge of micro-firms and hence we specify:

*H4a: Membership of trade-associations will enhance Perceived-Knowledge of regulation.*

*H4b: Membership of trade-associations will enhance Actual-Knowledge of regulation.*

However, sources of information on topics such as regulation are not in themselves enough, as Bennett and Robson (1999a) note SMEs have a greater need for assistance, but are less likely to seek it. As noted, owner-managers must appreciate the level of their knowledge in order to identify areas where they may be lacking. One mechanism which is often cited as improving knowledge self-assessment, is feedback (Krajc and Ortmann, 2008; Sitzmann *et al.*, 2010). Trade-associations may disseminate knowledge to their member firms through internal publications or email (for example, in the context of the case considered herein, the *BH&HPA Journal* or the *Bed and Breakfast News* magazine). This unidirectional knowledge transfer, an example of what Salge and Vera (2013) termed ‘radical learning’, lacks any form of feedback, thereby relying upon member firms (and owner-managers in particular) to both read and correctly interpret the information available. That is far from certain. As such, trade-association membership may well increase Actual-Knowledge but might also engender hubris via an over-inflated sense of Perceived-Knowledge relative to the benefit actually provided. We therefore specify:

*H5: Membership of trade-associations has a greater positive impact on Perceived-, rather than Actual-Knowledge.*

### 3. Methodology

#### 3.1 Contextual Background

To explore these issues, this study draws upon an original survey exploring regulation and micro-firms in the English holiday accommodation industry. The focus is on England rather than the UK due to differences in regulations that exist in the UK's devolved regions. As mentioned in Section 1, the tourism industry is a suitable case to explore these themes as it not only accounts for a significant share of the economy, but is also predominantly made up of micro-firms with a large number of regulations (Blackburn and Hart, 2002), the majority of which are noted to be "*ill-fitted to the world of small businesses that characterise*" the industry (House of Commons, 2015, p.3). Additionally, BEIS (2016b) found firms in the industry were most likely to claim regulation is an obstacle to success. Indeed, two of the trade-associations in the sector (The BBA and BedPosts) formed as a direct response to changing fire regulations (BBA, 2014; BedPosts, 2014).

Within the English accommodation industry, the focus is on two main sub-sectors where micro-firms are most likely to proliferate: serviced accommodation, such as Bed and Breakfasts (B&Bs) and hotels, of which there are an estimated 33,499 firms; and non-serviced accommodation, such as caravan parks and self-catering accommodation, of which there are an estimated 34,167 firms (VisitEngland, 2016). The sub-sectors not only define the services on offer, but also the regulations in place. For example, serviced firms are more likely to provide food and fall under food preparation regulation, while non-serviced firms are more likely to provide electricity and water to pitches, and hence are subject to related regulation.

The industry is home to many trade-associations and marketing groups, such as the Bed and Breakfast Association (BBA), the British Hospitality Association (BHA), BedPosts, British Holiday & Home Parks Association (BH&HPA), and Farm Stay UK. Each of which provide their members with support regarding business operations and crucially, dealing with regulation. For example: the BBA regularly email and distribute a monthly magazine to their 8000 members (BBA, 2014); and the BH&HPA send a bi-monthly *BH&HPA Journal* to their 2900+ membership which dedicates a significant proportion of its 100+ pages to regulatory matters (BH&HPA, 2017).

In addition to these industry associations, there are many associations which operate across the wider tourism industry, such as VisitEngland, the national tourist board; and the Tourism

Alliance, which operates as a ‘trade-association of trade-associations’ representing a combined 200,000+ tourism firms (Tourism Alliance, 2017). Furthermore, in the context of micro-firms, there is also significant overlap with associations such as the Federation of Small Businesses, who perform many of the same actions we have listed, but specialise in small business matters.

### ***3.2 Sampling Frame and Survey Design***

A database of 3805 potential respondents was developed using several publicly available sources. These include the AA, [bedandbreakfast.com](http://bedandbreakfast.com), BedPosts, the Caravan Club, the ‘Little Green Book’, Farm Stay UK, the Motorcaravanners Club Handbook, and UKParks.com. The sampling frame was limited to firms operating in England and to those with fewer than 10 employees. The owners were contacted via post and/or email, addressed by name where known or ‘the owner’ where unknown, with several follow-ups over a six-month period from October 2014. There were 706 valid responses, which represents a highly respectable 19% response rate, given the sampling frame (Saunders *et al.*, 2015).

The questions were first pilot tested by a subset of relevant potential respondents and the main industry associations (as outlined below) were approached with a draft of the survey to check the wording of the questions and to secure endorsements in the hope of enhancing response rates. A small number of minor changes were made in response to the feedback received from both sources, and the finalised survey was endorsed by the BBA, the BHA, and Farm Stay UK; all of whom sent details of the study to their members. VisitEngland, the national tourist board, endorsed the study and included details in email and print publications. A further three groups (BedPosts, the National Caravan Council, and the Tourism Society) sent information about the study to their members without a formal endorsement.

The survey explored owner-manager knowledge in four areas of regulation: employment; anti-discrimination; fire; and health and safety. These areas were chosen because of their applicability not only within the tourism industry, but due to their wide reach and overall importance given they impact on almost all firms that either have employees or allow access to members of the public. Due to the restricted nature of the questions and the different micro-firms being surveyed, respondents were only asked about regulatory areas relevant to

their business. The survey is part of a wider research project exploring regulation and micro-firms, and included additional questions which are not relevant to this study<sup>3</sup>.

In addition, an unsolicited general comments box was included at the end of the survey. Present in 197 cases, these comments were analysed using constant-comparison thematic analysis (Krueger and Casey, 2009). The emergent themes, presented in the discussion of our results (Section 5, Table 8), offer further insight and support to our primary quantitative analyses.

### ***3.3 Analytical Approaches, Model Specification, and Variable Construction***

In light of the hypotheses developed in Section 2, we deploy two techniques to explore the relevant issues. The first group (H1 to H3) require the exploration of the revealed levels of Perceived- and Actual-knowledge (including the respondents' view of the value of regulation) which are most appropriately examined using summary statistics and bivariate correlations (Ward *et al.*, 2002). The second group of hypotheses (H3 to H5) explore the overall determinants of Perceived- and Actual-Knowledge of regulation, using a formal model as specified below:

$$\begin{aligned}
 & \text{(Perceived or Actual) Knowledge of regulation} \\
 & = B_0 + B_1 \text{ Number of employees} + B_2 \text{ Years in business} \\
 & + B_3 \text{ Serviced accommodation} \\
 & + B_4 \text{ All areas of regulations included} \\
 & + B_5 \text{ Attitude towards regulation} \\
 & + B_6 \text{ Number of trade-association memberships} + \varepsilon_i
 \end{aligned}$$

The model is applied to both Perceived- and Actual-Knowledge as the dependent variable and incorporates a number of control variables (discussed below). Since both dependent variables are continuous and scalar, with the higher values clearly indicating owner-managers have more (actual or perceived) knowledge of regulation, an OLS regression model is adopted. This is possible because, as Carifio and Perla (2008), Gaito (1980), and Dougherty (2011) identify, although the dependent variables incorporate several ordinal data

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<sup>3</sup> This paper is part of the PhD project of the leading author, which explores further themes, including the Perceived-Burden and Value of regulation, perceived industry compliance, and business performance.

sources (i.e. individual Likert-scale responses) they become interval results at the scale level due to their nature as combinations of responses to multiple questions. Furthermore, the central limit theorem suggests the resulting data will tend to be normally distributed and hence it is widely acknowledged that parametric techniques, such as OLS regression, are appropriate (Carifio and Perla, 2008; Dougherty, 2011; Norman, 2010)<sup>4</sup>. Indeed, not only do Blackburn and Hart (2002) utilise this method for combined test scores, but Norman (2010, p.7) notes that “*parametric statistics can be used with Likert data ... with no fear of ‘coming to the wrong conclusion’*”.

The models (indeed all of our analyses) are estimated in Stata v13, first by including the control variables and then sequentially, the independent variables. The primary variables utilised (in both types of analysis) are as follows.

### 3.3.1 Dependent Variables

**Actual-Knowledge** was based upon a set of five true/false questions for each of the four specific areas of the regulation (20 in total). As it is impossible to assess every single aspect of regulation in a manageable survey, the questions, detailed in Table 1, were developed using a number of sources, most notably The Pink Book (VisitEngland, 2012, 2014), with varying levels of complexity based on routine knowledge of regulations. Recognising the inherent potential for bias in basing this construct on a relatively small number of questions, they were written such that the correct responses were both true and false (across the survey), and some questions were framed to test up-to-date knowledge by presenting out-of-date information which was no longer true. To minimise the subjectivity of the questions and to ensure they gave equal treatment to the four areas of regulation, the questions were developed-with and approved-by the supporting trade-associations, and tested using the pilot study. A similar method for testing knowledge was successfully employed by Alaaeddine *et*

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<sup>4</sup> Given the dependent variables are the mean values derived from up to four areas of regulation (see Section 3.3.1) the values are non-integer, meaning that alternative methods, such as ordered-probit are problematic due to issues with data loss because of the required rounding and/or the resulting large number of cut-off points. Such alternatives have however, been explored in a variety of ways (including utilising rounded values, and categorised groupings) and the results are consistent with the ones presented herein. Simple aggregation of the results from the different areas of regulation was also explored (e.g. using the total number of correct responses) but this was found to be inherently biased since it treated individuals the same whether they had answered 20 or fewer questions. Thus, we report these OLS models because they are not only statistically valid but also because they utilise all our data variation and are the easiest to interpret.

*al.* (2013) and Blackburn and Hart (2002). The latter covered more areas of regulation, but did so using fewer questions per area (1-5) resulting with a similar total of questions (21).

The ability of respondents to correctly answer these questions generates a 0-5 variable for each area of regulation. However, as the survey was structured to allow respondents to skip areas not relevant to them, the overall Actual-Knowledge of regulation was calculated as the percentage of questions correctly answered relative to the number attempted (i.e. X out of 20 for those attempting all four areas, and X out of 15 for those doing 3 areas). A dummy variable (see Section 3.2.2) was included to control for any differences caused by not completing questions on all areas of regulation.

Table 1 lists the mean percentage of correct responses, and associated standard deviations, for each question. Figure 1 demonstrates the distribution of responses, revealing there is a good range with an approximately normal distribution. Table 2 presents the correlation between Actual-Knowledge of each individual area of regulation against the overall Actual-Knowledge indicator. The strong and consistent correlations (Row 5) demonstrate the overall indicator for Actual-Knowledge is not driven by one area alone, which suggests the measure is valid.

**Table 1: Actual-Knowledge questions with mean percentage correct**

| Employment  | Mean % Correct | SD   | Anti-Discrimination  | Mean % Correct | SD   |
|---|----------------|------|--|----------------|------|
| From October 2014, the minimum hourly wage for someone over 21 is £6.50   | 88             | 32.2 | Firms are required to make reasonable changes for disabled customers   | 94             | 24.2 |
| Full time staff can have payment in lieu of holidays  | 46             | 49.9 | Large single-sex groups may be refused service   | 61             | 48.9 |
| Family members who work for the firm can be paid below minimum wage   | 19             | 39.3 | Customers may be refused service based on their age  | 40             | 49.1 |
| If an employee is 'on call', they are only entitled to be paid for time when they are actually doing something for the business   | 64             | 48.1 | The onus is on disabled customers to highlight, rather than businesses to check for any special requirements | 70             | 45.7 |
| It is a civil offence to pay an entitled employee below minimum wage  | 11             | 31.8 | Properties with more than one storey should install an elevator for wheelchair users                         | 82             | 38.1 |
| Fire  | Mean % Correct | SD   | Health and Safety  | Mean % Correct | SD   |
| A fire risk assessment is only required for medium and large organisations  | 92             | 27.6 | All businesses must appoint a health & safety officer  | 54             | 49.9 |
| If no more than six people can be accommodated on the premises and all accommodation is not above the first floor (the six bed-space rule), then the business is exempt from fire regulations | 79             | 40.5 | Employers are always liable when employees fail to follow safety instructions in the workplace               | 44             | 49.6 |
| A fire risk assessment can only be written by a qualified assessor  | 84             | 36.6 | A health & safety inspector may enter any part of the premises at any time                                   | 80             | 39.7 |
| An automatic fire-detection and alarm system must be installed in the premises  | 71             | 45.6 | Firms with five or more employees must have a written health & safety policy                                 | 93             | 25.1 |
| All local fire service apply the same interpretation of the regulations and your potential risks  | 43             | 49.5 | Family businesses which are incorporated as limited companies do not need employers liability insurance      | 97             | 18.3 |

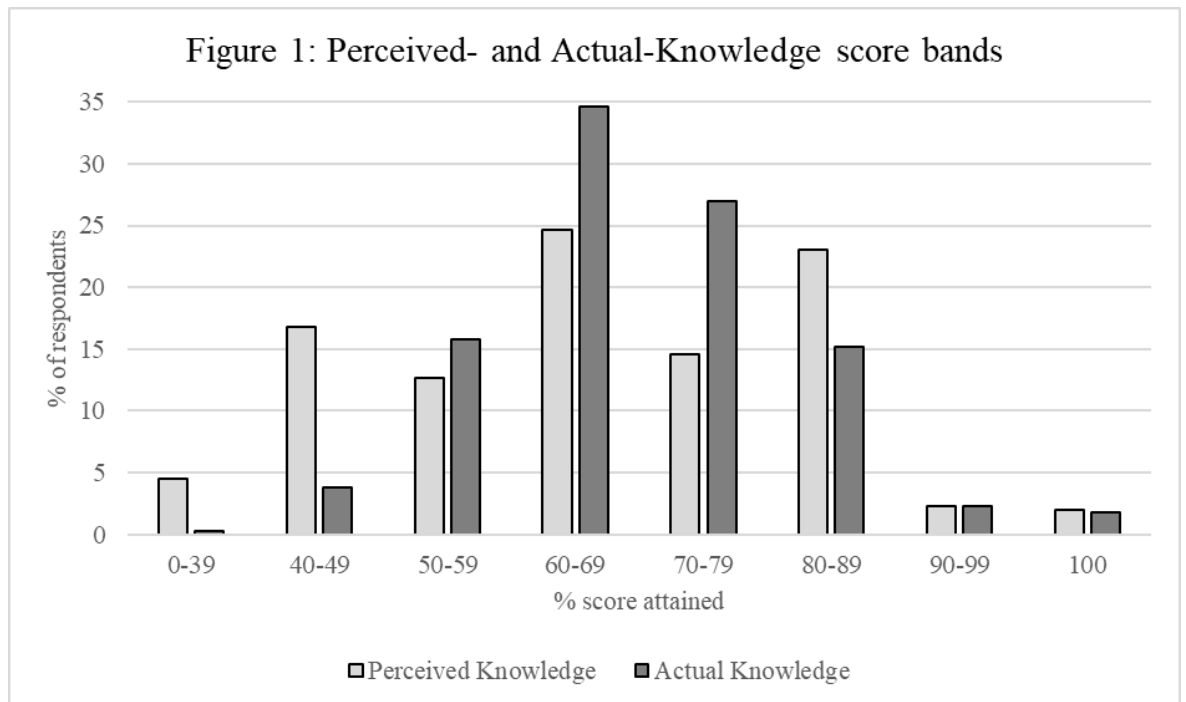
Note. The question stem before these statements read “*from your knowledge of [each] regulation, is it strictly true or false that*”.



**Table 2: Correlation matrix for Actual-Knowledge**

|   | 1      | 2      | 3      | 4      | 5 |
|---|--------|--------|--------|--------|---|
| 1. Actual knowledge of health and safety    | -      |        |        |        |   |
| 2. Actual knowledge of employment           | 0.160* | -      |        |        |   |
| 3. Actual knowledge of anti-discrimination  | 0.132* | -0.075 | -      |        |   |
| 4. Actual knowledge of fire                 | 0.069  | 0.025  | 0.034  | -      |   |
| 5. Actual-Knowledge of regulation (overall) | 0.621* | 0.563* | 0.582* | 0.589* | - |

\* p<.05



**Perceived-Knowledge** was self-reported by respondents using a five-point Likert-scale for each area of regulation, based upon the work of Stokols *et al.* (2001) and Eva *et al.* (2004). As with Actual-Knowledge, respondents could skip areas of regulation not relevant to them. Hence Perceived-Knowledge of regulation was calculated as the mean response over all of

the individual areas answered (e.g. someone answered 3/5, 3/5 and 4/5 for three areas of regulation would have a mean of 3.333/5). This was then converted into an overall percentage (3.333/5 equates to 66.66%) to facilitate comparability with Actual-Knowledge. A dummy variable (see below) was again included to control for any differences caused by not answering for all areas of regulation. The distribution of responses is presented in Figure 1. As with Actual-Knowledge, Table 3 presents the correlation between Perceived-Knowledge of each area of regulation against the overall indicator. Again, the strong and consistent correlations (row five) demonstrate the overall indicator is not driven by one area alone, and demonstrates the validity of the measure.

**Table 3: Correlation matrix for Perceived-Knowledge**

|  | 1      | 2      | 3      | 4      | 5 |
|--|--------|--------|--------|--------|---|
| 1. Perceived knowledge of health and safety    | -      |        |        |        |   |
| 2. Perceived knowledge of employment           | 0.397* | -      |        |        |   |
| 3. Perceived knowledge of anti-discrimination  | 0.488* | 0.576* | -      |        |   |
| 4. Perceived knowledge of fire                 | 0.541* | 0.404* | 0.544* | -      |   |
| 5. Perceived-Knowledge of regulation (overall) | 0.777* | 0.802* | 0.855* | 0.802* | - |

\*  $p < .05$

### 3.3.2 Independent Variables

Further questions were asked regarding respondent's perceptions of regulation and control data regarding the respondents' business, leading to the following variables to be used:

**Number of employees:** a categorical variable (0/1) distinguishing between the number of people working in the firm, including the owner-manager. The base category (0) is 1 worker, indicating the owner-manager works alone, while category (1) designates 2-9 workers, which may indicate a family based firm or one with employees. This distinguishes the

smallest and least complex firms, from those who are larger and may fall under wider regulation.

**Years in business:** a categorical variable (0/1) which indicates the number of years that the current owner-manager has operated the business, with 1-10 years (the base category, 0), and 11+ years (cat 1). Fewer years in business may indicate the firm is new or expanding, while category 1 designates an established business and an owner-manager who is more experienced with regulatory issues and change (Carter *et al.*, 2009).

**Serviced accommodation:** a categorical (0/1) variable where 1 indicates serviced accommodation, while 0 indicates non-serviced accommodation. This designates the level of service provided and may impact the type of regulation and enforcement placed on each firm, along with inferring to which trade-associations each firm may be a member.

**Attitude toward regulation:** the level of agreement (0-7) to the statement “*it is important to me that my business is compliant with regulation*”. This attitude informs the importance that owner-managers’ place on regulatory issues and on maintaining their level of knowledge to ensure compliance (Edwards *et al.*, 2003; Hart *et al.*, 2008; IpsosMORI, 2007).

**All areas of regulation included:** as the values of Perceived- and Actual-Knowledge are determined by the mean score of up to four areas of regulation, this categorical variable distinguishes between those who answered for all four areas (cat 1) and those who did not answer at least one area (cat 0). Forcing respondents to answer all areas creates bias as, for example, knowledge of employment regulations would be understandably lower for firms with no employees. This variable tests for any bias created by the different number of questions used to form the dependent variables.

**Number of trade-association memberships:** there is a high-level of trade-association membership within the sample, and this variable is a count of the number of trade-association memberships, thereby serving to distinguish the level of engagement with trade-associations. More trade-association memberships offer more potential information sources and may also suggest more meaningful engagement with these organisations.

### 3.4 Data Validation

For the construct variable Perceived-Knowledge, which is based on Likert-scale questions, Cronbach's alpha was calculated to test for convergent validity and was found to exceed the accepted minimum of 0.7 ( DeVellis, 2012). Since Actual-Knowledge is not based on Likert-scale questions (and given the variation in individual test scores, see Table 1), Cronbach's alpha is not suitable. Face validity for Actual-Knowledge was satisfied by using a previously successful method of testing knowledge, though the specific content is obviously different (Hair, 1998; Hair *et al.*, 2010).

By collecting both dependent and independent variables from the same source, there is a risk of common method bias (Guide and Ketokivi, 2015; Podsakoff *et al.*, 2011). However, the very nature of the study, exploring the perceptions and knowledge of micro-firm owner-managers means there is only one owner-manager per organisation, thus it is impossible to investigate multiple individuals per firm. To mitigate this as far as is possible, we gathered independently sourced data on several variables, such as revenue, profit, number of employees, and number of rooms/pitches. These details were collected from sources including firm websites, trade publications, and financial data submitted to Companies House. This verification was done for 14% of the survey responses (the maximum possible) and no evidence of bias or misreporting was found. Furthermore, through a pilot study we were able to assess the understanding of questions matched our expectations. Thus, the validity of subjective assessments is accepted (Rong and Wilkinson, 2011). In addition, the survey was structured to separate key areas and reduce the risk of respondents linking different concepts. Finally, all respondents were assured of confidentiality and anonymity throughout the survey process to elicit truthful responses.

With any econometric method there is an inherent risk of omitted variable bias (Hosman *et al.*, 2010), yet there is also considerable evidence that simply adding confounders will equally bias the model (Clarke, 2009; Hosman *et al.*, 2010). We therefore followed the approach laid out by Clarke (2005) and Mitra and Washington (2012), whereby a review of the literature is used to suggest what variables may demonstrate a relationship with the dependent construct. In addition to the control variables included, we also tested other commonly used confounders, such as gender and region, which were found to be non-significant and have little effect, thus they were not included in the study as Breiman (1992) and Clarke (2005) suggest fewer variables lead to more accurate models. Furthermore, our

models are similar to those used by Blackburn and Hart (2002), whom include many of the same variables (albeit operationalised differently), culminating in similar R-squared results. Finally, in order to verify our models' robustness, we examined the residuals and found them to be randomly distributed with no major deviation from normality (Pallant, 2011; Tabachnick and Fidell, 2013).

#### 4. Results

Table 4 presents the mean, standard deviation, and correlations for Perceived- and Actual-Knowledge, along with attitude towards regulation. As noted in Section 2.1, considering that the range of questions used to develop Actual-Knowledge covered routine knowledge, we would expect informed owner-managers to achieve close to 100% (Kane, 2013). In our results, a mean score of 65.92% (median of 67%) with standard deviation of 12.13, and with just 4.07% scoring 90% or more (see Figure 1), suggests respondents generally held a poor level of knowledge and hence H1 is supported (see Table 7 for a hypotheses summary). Moreover, the mean score for Perceived-Knowledge is 62.25% (median of 65%) with a standard deviation of 16.54, demonstrating owner-managers know they possess incomplete knowledge.

**Table 4: Descriptive statistics for Independent Variables**

|                                      | Mean  | SD    | 1      | 2      | 3 |
|--------------------------------------|-------|-------|--------|--------|---|
| 1. Perceived-Knowledge of regulation | 62.25 | 16.54 | -      |        |   |
| 2. Actual-Knowledge of regulation    | 65.92 | 12.13 | 0.096* | -      |   |
| 3. Attitude toward regulation        | 5.97  | 1.09  | 0.260* | 0.112* | - |

\*  $p < .05$

Table 4 also provides support for H2, as there is only a very small correlation (with  $r < 0.10$ ) between Perceived- and Actual-Knowledge. This suggests owner-managers are generally quite inaccurate in assessing their level of knowledge (which can be further seen from the differences in the distribution of Perceived- and Actual-Knowledge as illustrated in Figure 1). Finally, Table 4 demonstrates small but statistically significant correlations between

attitude towards regulation and both Perceived-Knowledge and Actual-Knowledge, providing support for H3a and H3b. However, the effect on Perceived-Knowledge (0.260) is more than twice that on Actual-Knowledge (0.112).

Table 5 presents the OLS regression models for Perceived-Knowledge, first with just the control variables, then (model 2) with all independent variables in place. Table 6 presents models for Actual-Knowledge. In both cases the models improve with the inclusion of the exploratory variables. These offer further support for H3a and H3b given the highly statistically significant, positive links between attitude and both Perceived- and Actual-Knowledge, although as before, the effect on Perceived-Knowledge (3.82%) is greater than that on Actual-Knowledge (1.15%).

**Table 5: OLS regression. Dependent variable: Perceived-Knowledge**

| Independent variables                   | (1)      |         |          | (2)      |         |          |
|---|----------|---------|----------|----------|---------|----------|
|   | $\beta$  | SE      | <i>t</i> | $\beta$  | SE      | <i>t</i> |
| Intercept                               | 62.27*** | 1.85    | 33.73    | 38.16*** | 4.81    | 7.94     |
| Number of employees                     | -4.10**  | 1.78    | -2.30    | -4.94**  | 1.87    | -2.64    |
| Years in business                       | 0.85     | 1.48    | 0.58     | 0.88     | 1.56    | 0.56     |
| Serviced accommodation                  | 4.51**   | 1.61    | 2.80     | 3.76**   | 1.73    | 2.17     |
| All areas of regulation included        | 3.25*    | 1.74    | 1.88     | 2.06     | 1.84    | 1.12     |
| Attitude toward regulation              |          |         |          | 3.82***  | 0.71    | 5.41     |
| Number of trade-association memberships |          |         |          | 1.39**   | 0.71    | 1.97     |
| R <sup>2</sup>                          |          | 0.0442  |          |          | 0.1145  |          |
| Adjusted R <sup>2</sup>                 |          | 0.0363  |          |          | 0.1016  |          |
| F (4, 484)                              |          | 5.60*** |          |          |         |          |
| F (6, 412)                              |          |         |          |          | 8.88*** |          |

\* p<0.1, \*\* p<0.05, \*\*\* p<0.001

**Table 6: OLS regression. Dependent variable: Actual-Knowledge**

| Independent variables                   | (1)      |         |          | (2)      |         |          |
|---|----------|---------|----------|----------|---------|----------|
|   | $\beta$  | SE      | <i>t</i> | $\beta$  | SE      | <i>t</i> |
| Intercept                               | 69.89*** | 1.36    | 51.40    | 62.67*** | 3.56    | 17.42    |
| Number of employees                     | -3.86**  | 1.32    | -2.93    | -3.21**  | 1.41    | -2.28    |
| Years in business                       | -4.10*** | 1.09    | -3.75    | -2.81**  | 1.17    | -2.39    |
| Serviced accommodation                  | 3.32**   | 1.18    | 2.81     | 4.32***  | 1.30    | 3.32     |
| All areas of regulation included        | -0.66    | 1.27    | -0.52    | -0.23    | 1.38    | -0.17    |
| Attitude toward regulation              |          |         |          | 1.15**   | 0.53    | 2.17     |
| Number of trade-association memberships |          |         |          | -0.57    | 0.53    | -1.08    |
| R <sup>2</sup>                          |          | 0.0669  |          |          | 0.0732  |          |
| Adjusted R <sup>2</sup>                 |          | 0.0591  |          |          | 0.0597  |          |
| F (4, 484)                              |          | 8.67*** |          |          |         |          |
| F (6, 412)                              |          |         |          |          | 5.42*** |          |

\* p<0.1, \*\* p<0.05, \*\*\* p<0.001

In the model for Perceived-Knowledge, there is a strong positive relationship with greater numbers of trade-association memberships. Every trade-association membership was associated with a 1.39% increase in Perceived-Knowledge. However, in the model for Actual-Knowledge the relationship is statistically insignificant. These findings do not verify the causality in such a relationship but suggest some support for H4a and H5, but not for H4b.



The models also demonstrate a negative relationship for both Perceived- and Actual-Knowledge with the number of employees, suggesting owner-managers with 2+ workers have (respectively) 4.94%/3.21% less regulatory knowledge. Furthermore, serviced accommodation firms appear to have higher Perceived- and Actual-Knowledge (3.76%/4.32%). Additionally, while the number of years in business has no statistically significant relationship with Perceived-Knowledge, there is a strong negative relationship with Actual-Knowledge (-2.81%). Finally, the variable to test whether all areas of regulation were answered by each respondent, is shown to be statistically insignificant for both models, lending even further credence to the validity of our chosen method.

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**Table 7: Summary of hypotheses**

|     |   |               |
|-----|---|---------------|
| H1  | Actual-Knowledge of regulation will be poor.  | Supported     |
| H2  | There will be no meaningful correlation between Perceived- and Actual-Knowledge of regulation.              | Supported     |
| H3a | Perceived-Knowledge of regulation will positively correlate with attitude towards regulation.               | Supported     |
| H3b | Actual-Knowledge of regulation will positively correlate with attitude towards regulation.                  | Supported     |
| H4a | Membership of trade-associations will enhance Perceived-Knowledge of regulation.                            | Supported     |
| H4b | Membership of trade-associations will enhance Actual-Knowledge of regulation.                               | Not supported |
| H5  | Membership of trade-associations has a greater positive impact on Perceived-, rather than Actual-Knowledge. | Supported     |

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**Table 8: Thematic review of unsolicited comments**

| Theme                        | Number of mentions | Illustrative comments  |
|------------------------------|--------------------|--|
| Trade-association support    | 14                 | <p><i>Being part of a membership organisation probably makes me more aware of legislation and other issues, than independent operators (2016).</i></p> <p><i>Visit Britain have to reissue their Pink Book guide every year just to keep up with the continuous changes and additional restrictions (4031).</i></p> <p><i>I rely on the Caravan Club to guide me in matters regarding regulation of the Caravan Club site aspects of the business (5379).</i></p>  |
| Firm size                    | 72                 | <p><i>Our business is not only micro, it's miniscule! (1910).</i></p>  |
| Lack of support              | 28                 | <p><i>Local councils should issue booklets on fire and health and safety – not seen anyone or had contact in 18 years! (1855).</i></p> <p><i>Setting up and building a new campsite has been far more difficult than it should have been. Very little support from council and licencing authorities (3106).</i></p>   |
| Poor regulator understanding | 7                  | <p><i>Too many regs are designed for large business then applied to small/micro businesses i.e. turnover less than 100k. Phrase sledgehammer &amp; nut come to mind. I with only 6 letting rooms have to comply to same rules as Holiday Inn &amp; Hilton types of hotels (4653).</i></p>  |
| Knowledge and burden         | 87                 | <p><i>Good practice in my bed &amp; breakfast is followed as a matter of routine but a diary RE: hygiene is a waste of my time which I deeply resent, cooking only 4 breakfasts max a day! (323).</i></p> <p><i>Regulations have a disproportionate impact on small businesses. Compliance sometimes has a very disruptive impact if you do the right thing e.g. maternity leave. We have no specialist resources to cover such things and nobody seems to appreciate that running a small business is like living in a turret with different types of regulator attacking from all sides (53).</i></p> <p><i>Feel many regulations designed across the board and do not always 'fit' to small business without incurring costs. Reduced my staff due to PAYE rules &amp; regulations which meant more time on computer &amp; away from hands on work (1963).</i></p> <p><i>I cannot pretend to spend my time trying to keep up with legislation. I understand that I should comply with the law and take reasonable effort to do so, however I rely more on treating customers as I would like to be treated (2142).</i></p> <p><i>The current situation is that there is so much legislation it is impossible to know &amp; comply with all the regulations. Even specialist lawyers do not profess to know all the legislation in their specific fields and then refer to further 'specialists' (1570).</i></p> |
| Regulatory value             | 18                 | <p><i>I don't think there are many businesses that don't accept the need for certain regulations. Compliance of regulations is important but they do need to be made far more appropriate to micro businesses. (2980).</i></p> <p><i>I believe that regulations are essential for the safety of the public (3804).</i></p>   |

Note: respondent ID in parentheses. Only themes relevant to this study are included here. The question stem read “is there anything else you would like to tell us about any of the issues raised in this survey?”

## 5. Discussion

### 5.1 Perceived- and Actual-Knowledge

We found in micro-firms that Actual-Knowledge was poor in core areas of regulation, thereby extending the findings of previous literature which found similar results in (larger) small firms. Such a deficit of knowledge could, for example, be the difference between someone using safety equipment and someone else not even knowing it is available, and hence there is clear potential for negative impacts for firms, employees, and customers. Furthermore, the majority of respondents also identified Perceived-Knowledge as being considerably less than 100%, which is suggestive of largescale hubris in that owner-managers, by continuing to operate their firms, are knowingly acting with imperfect knowledge. As respondent 1570 put it: *“The current situation is that there is so much legislation it is impossible to know and comply with all the regulations”* (Table 8, ‘knowledge and burden’).

Since Perceived- and Actual-Knowledge only weakly correlate, our results suggest self-assessment of regulatory knowledge to be a poor indicator of actual regulatory knowledge. This is not only in line with the majority of studies covered by Sitzmann *et al.*’s (2010) review of self-assessment in general, but also casts doubt on micro-firm and/or regulation studies which rely on self-assessment. For the firm, poor self-assessment is likely to have a direct impact on the ways in which owner-managers approach learning. If they believe their knowledge is ‘good enough’, they are unlikely to prioritise improving it, which suggests attempts at regulatory compliance will be based on a faulty understanding and knowledge deficits (and associated issues) will likely endure into the future.

In keeping with Edwards *et al.* (2003), Hart *et al.* (2008) and IpsosMORI (2007), we found attitude towards regulation has a positive association with knowledge. Moreover, since we unusually explored two measures of knowledge, our results show this association is markedly larger on Perceived- than Actual-Knowledge. The causality of this finding is unclear though, as knowledge might engender a positive view, or a positive disposition might encourage knowledge acquisition. In this regard, the unsolicited comments on the survey offer some insights (Table 8, ‘knowledge and burden’) as none supported the idea that knowledge engendered a positive view, and a number actively contradicted it. For instance, respondent 1878 noted: *“Good practice in my Bed & Breakfast is followed as a matter of routine but a diary RE: hygiene is a waste of my time which I deeply resent, cooking only 4*

*breakfasts max a day*". Such comments are not explicit support for a positive attitude encouraging knowledge, but imply such causality by undermining the alternative.

The number of years in business was found to have no statistically significant impact on Perceived-Knowledge, while having a negative link with Actual-Knowledge. Since our survey is not longitudinal, the effect of time on the knowledge levels of individual owner-managers is impossible to draw-out in detail. Carter *et al.* (2009) and Edwards *et al.* (2003) suggest the impact of time is due to a resistance to change. However, the unsolicited survey comments (Table 8, 'knowledge and burden') hint at an alternative explanation: "*I cannot pretend to spend my time trying to keep up with legislation. I understand that I should comply with the law and take reasonable effort to do, however I rely more on treating customers as I would like to be treated*" (respondent:2142). It is possible Perceived-Knowledge remains broadly constant over time as past knowledge is assumed to be retained, but in the absence of significant continued learning, Actual-Knowledge declines as new regulations are developed/past knowledge is forgotten.

The negative relationship between both Perceived- and Actual-Knowledge with larger employee numbers is perhaps due to larger firms being busier, with the owner-manager spending more time supporting employees, leaving less time to allocate to maintaining regulatory knowledge (as implied by comments relating to 'firm size', 'knowledge and burden', and 'poor regulator understanding', see Table 8).

Serviced firms were associated with higher Perceived- and Actual-Knowledge relative to non-serviced firms. A possible explanation is the serviced sector was subjected to a regulatory shock following the "*worst UK hotel fire in 40 years*" (BBC, 2011). This not only led to greater enforcement action but also the creation of at least two trade-associations, and hence likely engendered a more proactive regulatory mindset leading to a general increase in knowledge. Such a shock might also have exacerbated underlying differences due to non-serviced firms being subject to greater numbers of regulations because of the nature of their activities.

## **5.2 Trade-Associations**

Given prior literature (and the lack of alternatives available) we expected trade-associations to be a key source of regulatory knowledge, yet despite high levels of membership within

the sample, Actual-Knowledge remained poor. Furthermore, while our results show that additional memberships have a small but positive association with Perceived-Knowledge (a 1.39% increase per additional trade-association membership), there is no statistically significant link with Actual-Knowledge. Yet, the survey comments suggest at least some owner-managers do rely on trade-associations support. Respondent 5379 for instance, offered: *“I rely on the Caravan Club to guide me in matters regarding regulation of the Caravan Club site aspects of the business”* (Table 8, ‘trade-association support’).

We posit this may be due to: information overload, with time constrained owner-managers struggling to keep up with the influx of regulatory information from multiple sources; contradictory information, with different trade-associations interpreting and presenting information in different ways; or from a false sense of security as access to information from multiple sources creates over-confidence, meaning it is not consumed/interpreted by the owner-manager. All of these possible explanations highlight the inherent lack of feedback because while trade-associations may provide detailed and accurate information on regulation (e.g. such as in the *BH&HPA Journal*), there is no recourse to ensure information is read, understood, and implemented. It also highlights there is limited opportunity to demonstrate to owner-managers that their knowledge is lacking and hence they must seek to improve it.

It could be argued both Perceived-Knowledge and the number of trade-association memberships are in fact being influenced by a hitherto unexplored variable, such as the management style of the owner-manager; with more professional managers demonstrating greater Perceived-Knowledge and also choosing wider membership. However, this seems unlikely for two reasons. Firstly, we would expect such a professional management style to influence Actual- as well as Perceived-Knowledge, but our results found no such influence. Secondly, the ‘fire-fighting mentality’ (and the resource limitations) seen within micro-firms (Falta and Gallery, 2011), imply owner-managers are by necessity focused on day-to-day operations, so have little time for professional development. Such constraints were highlighted by many unsolicited comments received in the survey (see Table 8, ‘regulatory burden’ and ‘poor regulator understanding’).

### 5.3 Improving Knowledge

Given micro-firm owner-managers are reluctant to seek support and shun outside ‘interference’ (Blackburn *et al.*, 2015) improving regulatory knowledge is a real challenge. The survey comments suggest ‘official sources’, including government and regulators, could certainly better connect with firms (Table 8, ‘lack of support’). Unfortunately, there is considerable evidence that such measures (e.g. including ‘regulatory update’ guidance with tax returns) would fail as prior attempts have proven unsuccessful (Blackburn, 2012; Blackburn and Hart, 2002). There would still also be no guarantee owner-managers would read, correctly interpret, and implement such guidance. Indeed, they are likely to perceive it as ‘further burden’ and thus, ignore it (Edwards *et al.*, 2004).

Micro-firms have previously been found to access support through accountants (e.g. BEIS, 2016b), though as financial experts, they are not well placed to provide wider regulatory support. Therefore, in the absence of credible alternatives and given the high levels of membership in the industry, along with what appears to be partial success in improving Perceived-Knowledge, trade-associations may nevertheless present the best solution to improve knowledge of regulation among micro-firms, though much work must be done. Indeed, there is already evidence that trade-associations provide “*more concise and reader-friendly*” guidance than the government (BRE, 2010, p.14).

Our findings suggest three areas of focus for trade-associations. Firstly, improving owner-managers’ attitude towards regulation, as this will improve the likelihood of enhanced learning. Secondly, calibrating owner-managers’ self-assessment of their existing knowledge, thereby demonstrating the need for further training and advice. However, while seminars and training sessions are an obvious start, micro-firms are reluctant to attend for a variety of reasons (Bennett and Robson, 1999a, b). A new model is required which allows for remote learning and feedback. This could perhaps be achieved with tools such as case studies, quick quizzes (e.g. in magazines), and incentives to participate (like prize draws). Additionally, given a preference for direct contact (BIS, 2016a, b; Peck *et al.*, 2012), follow-up phone calls could feature. Finally, trade-associations should specially target micro-firms that are longer established and/or which have employees as these generally have the weakest knowledge levels.

Given the variation we have observed in the sub-sectors and the need for a consistent message (Chittenden *et al.*, 2002), such reform would be best instigated by an association

like the Tourism Alliance, which can co-ordinate efforts with its trade-association members. Furthermore, by involving non-industry associations, there can be wider input with ‘small business’ associations ensuring guidance is tailored to smaller firms, while tourism associations ensure it is tailored to the industry. Networking is known to shape owner-manager understanding (Kitching, 2016), thus networking with support firms, such as accountants, would also help to spread awareness of the tailored guidance, either acting as an intermediary or by promoting trade-association membership (and the benefits therein). Doing so would facilitate a co-ordinated campaign across trade-associations, sub-sectors, and beyond, thereby ensuring correct information and a consistent message. Moreover, by focusing on guidance, attitude, and self-assessment calibration, such a campaign may improve owner-managers’ willingness and understanding of their need to learn, which would improve future efforts as well. This would also address all three of Peck *et al*’s (2012) aspects of information failure, namely by improving the information available and the communication of that information, and the knowledge acquisition (through perception and self-assessment).

## **6. Conclusions**

Using newly collected primary data of under-studied micro-firms, we have found evidence that micro-firm owner-managers in the English tourism industry have an overall poor level of knowledge of four key area of regulations. Additionally, owner-managers’ Perceived-Knowledge of regulation was found to be poorly aligned with their level of Actual-Knowledge. Such results suggest hubris is endemic within micro-firms, since owner-managers knowingly act with a knowledge deficit.

Despite past evidence that micro-firms strongly rely on trade-associations for support (for regulatory and other matters), trade-association membership was found to only positively impact Perceived-Knowledge but have no impact on Actual-Knowledge. Nevertheless, in the absence of viable alternatives, we believe trade-associations remain a likely candidate to address the knowledge and self-assessment shortfall.

In drawing these conclusions, it should be recognised this study is perhaps somewhat limited by the scope of the tests utilised to explore Perceived- and Actual-Knowledge. While these explored core areas of knowledge and the wording was agreed with the relevant trade-associations, the results are dependent on their particular wording and choice of regulation.

Future studies using Actual-Knowledge might benefit from the creation of a standardised testing procedure, which would then help minimise use of inaccurate self-assessment. Such studies would also benefit from interviews with owner-managers, to better understand exactly how they receive and process information. This would help explain the causality in the relationships we have identified, explore the existing use of accountants, and examine how trade-association support improves Perceived-Knowledge but goes no further. Finally, the possibility that the disparity between Perceived- and Actual-Knowledge grows over time should be tested with a longitudinal study over a prolonged period.

In addition, this study implies wider areas for further exploration. Given the disparity between Perceived- and Actual-Knowledge, future research could explore regulatory compliance, which may demonstrate a similar pattern of disparity between what is perceived and actually the case. Furthermore, this might also be explored by investigating the impact on owner-manager decision-making and how this impacts business performance, including the traditional regulatory focus on the burden of regulation.

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## 4. Paper Two: Performance

|  |   |           |                          |           |                                     |          |                          |           |                          |
|--|---|-----------|--------------------------|-----------|-------------------------------------|----------|--------------------------|-----------|--------------------------|
| <b>This declaration concerns the article entitled:</b>                           |   |           |                          |           |                                     |          |                          |           |                          |
| The Impact of Regulation on Micro-Firm Performance                               |   |           |                          |           |                                     |          |                          |           |                          |
| Publication status (tick one)  |   |           |                          |           |                                     |          |                          |           |                          |
| Draft  | <input type="checkbox"/>  | Submitted | <input type="checkbox"/> | In review | <input checked="" type="checkbox"/> | Accepted | <input type="checkbox"/> | Published | <input type="checkbox"/> |
| Publication details (reference)  | <p>This is the original submission to the <i>Journal of Business Venturing</i>, which has received a revise and resubmission decision. Originally submitted April 2017, it is due for resubmission in mid-December 2017 in revised form. The version contained herein has since been altered in light of the viva voce examination. Note that this paper is referred to as “<i>Chapter 4 in this thesis</i>” in citations throughout the later paper. If accepted, the reference would read:</p> <p>Betton, M.E., Branston, J.R. &amp; Tomlinson, P.R., 2017. The Impact of Regulation on Micro-Firm Performance. <i>Journal of Business Venturing</i>.</p>   |           |                          |           |                                     |          |                          |           |                          |
| Candidate's contribution to the paper (detailed, and also given as a percentage) | <p>The candidate considerably contributed to the...</p> <p><b>Formulation of ideas:</b> 65%. I devised the basis of the paper, including the exploration of broader goal based performance measures, development of the Perceived-Value and Burden variables, and studied further literature as necessary. I created the initial draft of the paper, containing most of the ideas in raw form. From this, the second and third authors and I, made revisions throughout the paper, before we each approved of the version included herein. The same process will be used to revise the next version of the paper in light of reviewer comments.</p> <p><b>Design of methodology:</b> 65%. I devised and refined the survey, based on the outcomes of the pilot study. I also developed each of the variables from the constituent survey questions and ran all of the statistical analyses, with methodological support from the second and third authors.</p> <p><b>Experimental work:</b> 90%. I alone conducted the survey, communicated with respondents (potential and otherwise), and liaised with trade-associations, although financial support for postal survey and the prize draw was provided by the second author.</p> <p><b>Presentation of data in journal format:</b> 90%. I followed the Guide for Authors for the <i>Journal of Business Venturing</i> and read a number of articles from the journal, thus ensuring the presentation would be acceptable and in keeping with the expected level of work. Special consideration was given to the page count, which was fully utilised. Additionally, a set of highlights, as well as the keywords and JEL codes, are presented with the paper, in line with the journal's requirements.</p> |           |                          |           |                                     |          |                          |           |                          |
| Permission   | At the time of original submission, the journal was advised that the paper would be included in this thesis, which has since become set for an embargo of three years after publication.  |           |                          |           |                                     |          |                          |           |                          |
| Candidate Statement  | This paper reports on original research I conducted during the period of my Higher Degree by Research candidature.  |           |                          |           |                                     |          |                          |           |                          |
| Signed   |    |           |                          |           |                                     | Date     | 25/09/2017               |           |                          |

# The Impact of Regulation on Micro-Firm Performance

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## Abstract

Regulations constrain the operations of firms, thereby impacting performance. Traditionally this has resulted in a focus on regulatory burden and its impacts on financial performance measures. This paper suggests a true assessment should consider both the burden and value of regulation in relation to entrepreneur defined success. This is explored in the frequently overlooked context of micro-firms using original survey data from the English Tourism industry, and utilising multivariate regression techniques. Burden is found to have a negative impact upon financial performance measures, while value has a positive impact on the broader goal based performance measures favoured by micro-firm owner-managers.

**Keywords:** Micro-Firms, Regulation, Performance, Goals, Cost-Benefit.

**JEL Codes:** L51, L21, L25, L83.

## Highlights:

- Consideration of regulation needs to encompass both its burden and its value.
- Assessment of micro-firm performance requires financial and non-financial measures.
- We use data from an original survey of micro-firms in the English tourism industry.
- Regulatory burden is found to negatively impact financial performance measures.
- Regulatory value is found to positively impact goal based performance measures.

## 1. Introduction

Owners and managers of all businesses take many decisions which contribute to the perceived success or failure of the enterprise. What counts as success or failure is subjective and depends upon the idiosyncratic business goals of owners and managers, and hence how they evaluate performance. While larger firms traditionally focus upon financial measures of performance, such as profits, share price, and market share, smaller firms (and most especially micro-firms) have been found to favour more personal goal-oriented measures of success such as self-sufficiency, autonomy, and sociability (Dewhurst and Horobin, 1998; Greenbank, 2001; O'Dwyer and Ryan, 2000). The owners and managers of smaller firms will therefore often make different business decisions when compared to their larger counterparts (Dunkelberg *et al.*, 2013). For example, an owner or manager who aims to spend (more) time with family may prefer to keep their business small to avoid taking up too much time, rather than relentlessly pursue expansion in the quest for larger profits.

A key determinant of the performance of an enterprise is the extent to which it is impacted by government regulation (Federation of Small Businesses, 2004; Gov.uk, 2013). The inherent purpose of regulation is to ensure that businesses are not completely free to make choices purely determined by their chosen path to success, but are constrained by a set of minimal standards judged to be in the wider public interest (Atherton *et al.*, 2008; Better Regulation Task Force, 2007). Thus regulation, often pejoratively referred to as 'red tape', is generally perceived as being financially costly to firms and hence a general impediment to entrepreneurial success. How much of an impediment will depend on both the extent of regulation and how success for the enterprise is measured<sup>1</sup>. However, what is often forgotten is that regulation is invariably designed and implemented with good intentions, and hence might also be perceived as having some redeeming value or benefit, especially in situations where success is not judged monetarily. As such, a true assessment of the impact of regulation needs to consider both its cost and its value in relation to appropriate measures of entrepreneurial success.

Owners and managers of micro-firms are often one and the same, which means these owner-managers are uniquely positioned for an exploration of such issues as they are situated at the heart of their firms, controlling and overseeing virtually all aspects of the business (Edwards

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<sup>1</sup> Open Europe (2015) for instance, found the 100 'most burdensome' EU regulations cost the UK economy £33.3 billion per year (which is over £6 billion more than is raised annually from Council Tax – a property tax paid to local government).

*et al.*, 2002; Kelliher and Reinl, 2009). As such, they not only set the goals of the business but are also likely to personally deal with regulatory matters, including shaping their response to regulatory changes (Edwards *et al.*, 2003; Hart *et al.*, 2008; Kelliher and Reinl, 2009)<sup>2</sup>. Much of the existing literature explores this by investigating the ‘burden’ of regulation, which is often found to disproportionately affect micro-firms (for example Edwards *et al.*, 2003; OECD, 2001; and Gov.uk, 2013). However, such studies generally focus on the financial impact of regulation, despite evidence that small and micro-firms favour other measures of success. It is therefore not surprising to find there is some inconsistency in the evidence that the burden of regulation hampers micro-firm performance (Edwards *et al.*, 2003; Kitching, 2006; Vickers *et al.*, 2005). Such mixed findings therefore hint at a more complex relationship between regulation and micro-firm performance which requires further exploration.

This study investigates such a relationship in depth by making a three-fold contribution. The first is a theoretical contribution by adopting an holistic view of regulation to explore the perception of regulation from both the positive (value) and negative (burden) sides. A further theoretical contribution is made by exploring how this holistic view of regulations impacts upon business performance, where this is measured both in financial terms and in broader goal orientated terms. The second contribution is an empirical one via the exploration of these theoretical positions through the use of original survey data on micro-firms in the English tourism sector using both OLS and ordered probit techniques. The English tourism industry presents a fitting case because it is highly regulated (Tourism Regulation Taskforce, 2012) and features a large number of micro-firms. Finally, in making these specific theoretical and empirical contributions, the paper also advances the relatively neglected field of micro-firm study in general. Such firms have frequently been excluded in prior research (even in favour of larger small firms) and yet cover a variety of enterprise types including family businesses and new entrepreneurial ventures.

The remainder of this paper is set out as follows. Section 2 reviews the literature on measures of performance, then micro-firms, regulation, and regulatory perception. In doing so, it develops a number of hypotheses to be tested. Section 3 presents the chosen case, details the newly collected primary survey data, and the methodological approaches used. Section 4 reports the results and analysis, including both ordered probit models to test the financial

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<sup>2</sup> Micro-firms are also an important sector of most economies. In the UK, for instance, they account for 32% of private sector employment and 20% of private sector turnover (BIS, 2012).

performance measures and an OLS regression model to test wider goal satisfaction, in line with the hypotheses. Finally, Section 5 explores these findings, before Section 6 offers a brief conclusion.

## **2. Literature Review**

### ***2.1 Measures of Performance***

Studies covering all firm sizes generally favour traditional financial measures of performance, (such as revenue, profit, stock price), which are easily understood and compared between firms (Fajnzylber *et al.*, 2011; Muñoz-Bullón and Sánchez-Bueno, 2011). Such measures (implicitly) presume a profit-making motive for the business with a general assumption that “more is better” (for example: Murphy *et al.*, 1996; Strielkowski, 2012; Wiklund and Shepherd, 2003). However, there are two issues with this general approach: firstly, some of these measures are not available to all firms (e.g. share price is only a suitable measure for firms listed on the stock market); and secondly, not all firms have such a simplistic profit-making motive (Chrisman *et al.*, 2012; Wiklund and Shepherd, 2003; Zellweger *et al.*, 2013).

Despite the already considerable literature which describes how micro-firms<sup>3</sup> and other smaller firms eschew these profit-motive measures (Greenbank, 2001; O'Dwyer and Ryan, 2000; Watson and Robinson, 2003), studies into such firms still typically rely on financial performance measures (Strielkowski, 2012; Watson and Robinson, 2003). Indeed, it is widely accepted that entrepreneurs start businesses for a number of reasons, but less well understood how those goals are used to measure performance (Andersson *et al.*, 2002; Greenbank, 2001). Dewhurst and Horobin (1998), note the growing evidence of small firms “*who are not motivated by a desire to maximise economic gain*” (p.25), and hence are likely to hold broader, non-economic goals. In line with this, O'Dwyer and Ryan (2000) suggest that micro-firms prefer the subjective performance measure of “*meeting and satisfying the objectives of the owner*” (p.347), which in turn requires an understanding of those objectives.

The study of entrepreneurial goals is of particular importance in the small business literature as the divergence from financial business objectives directly impacts decision making within the firm (Shinkle, 2012). As Williams *et al.* (1989) put it, “*decision making may rest on*

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<sup>3</sup> Herein defined as firms with 0-9 employees in line with BIS (2016) and DTI (2001).

*highly personalised criteria*” (p.1643) which may not be immediately obvious. For example, an owner-manager who desires to meet new people may deliberately keep the business small so that they can focus their efforts on spending time in direct contact with customers, whereas one who seeks the challenge of operating a business or providing employment opportunities may prefer to concentrate on expansion and/or administration.

Goals therefore, are not only important as a measure of success for small firms, but they also inform the intention and direction of the business itself. Indeed, Dunkelberg *et al.* (2013) found firms with ‘monetary-goals’ used alternate resources and deployed them in significantly different ways to firms with ‘nonmonetary-goals’. Thus, regulation is likely to impact goals and therefore, business decisions. For example, an owner-manager wishing to provide employment may focus on expanding the business, but then find employment regulation too onerous and hence scale back/limit the goal.

Financial goals appear to be a lower priority to small business owners, even when the business is not a passion-project or secondary to another enterprise (Clark, 2009; Evans and Ilbery, 1992; Sharpley and Vass, 2006). However, Pearce (1990) found 90% of interviewees demonstrated a detailed awareness of costs and revenue, despite claims that “*money was not the major goal*” (p.343) of their business. It therefore seems that financial aspects of the enterprise remain important, even when it is claimed otherwise. This may be due to related goals, such as “survival” and “breaking even”, which Greenbank (2001) found small firms to hold and which necessitates an in-depth understanding of the costs and revenue involved in the business.

There are several studies (e.g. Greenbank, 2001; and Strielkowski, 2012), which also highlight the dichotomy of perceived success between financial and non-financial measures. For example, measured purely on profitability and growth, many micro-firms would be judged to be performing poorly but those same firms may score highly for owner-manager satisfaction levels (Greenbank, 2001). This further demonstrates the need to include non-financial measures of performance alongside more traditional financial measures when evaluating micro-firms (Jennings and Beaver, 1995; Keasey and Watson, 1993).

An explanation as to why this approach has not yet been widely adopted is proffered by Greenbank (2001) (drawing upon March, 1972) who highlights the difficulty of getting owner-managers of small firms to articulate their goals. There is evidence that the informal nature (among other aspects) of small firms can lead to goals being discovered, rather than



planned outright, with respondents to surveys often claiming to have no ‘objectives’ or ‘targets’, but immediately going on to describe such things<sup>4</sup>. A practical implication of this difficulty is that no universally accepted collection of business goals that can be readily adopted to measure performance against. Andersson *et al.* (2002), found multiple goals which they classified as being either personal or business related, and also discovered that where financial goals were identified, the majority were not directly money-making in nature. Greenbank’s (2001) review categorised a range of objectives as being personal non-economic, personal-economic, or business related. Further studies, such as Birley and Westhead (1994) or Carter *et al.* (2003) also demonstrate a similar pattern of goals and categories. What is common between all these contributions is that besides industry specific items, there is a relatively small set of goals generally perceived to be held by owner-managers of micro-firms. These include work-life balance, leisure time, the desire to meet new people (particularly in customer facing industries, such as tourism), the desire to ‘be one’s own boss’, and running a business.

Despite this clear understanding that owner-managers of micro-firms generally hold a broad set of goals, there is a paucity of research looking at performance measured against these goals (i.e. goal satisfaction). Strielkowski (2012) reviews studies of SME performance, concluding that most use financial measures of performance. In the few cases where subjective methods featured, they tended to do so only as a back-up to traditional measures. Aside from the relative ease of adopting objective measures of performance, Besser (1999) hints at another possible reason behind this; she identified a weak correlation between a single self-reported measure of perceived business success with objective performance measures such as total number of employees. The implication is that objective financial measures of micro-firm performance might act as a proxy for goal based subject measures. In light of these discussions we therefore specify our first hypotheses:

*H1: There will be a positive correlation between financial and non-financial performance measures.*

*H2: There will be weak correlation between financial and non-financial performance measures.*

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<sup>4</sup> Such behaviour highlights the need to offer suggestions for potential goals in structured research hence the methodology adopted herein – see Section 3.

## 2.2 Micro-Firms and Regulation

Micro-firms are, by definition, very small firms, yet they are generally still required to conform with the vast majority, if not all, of the regulations that apply to larger firms. A wealth of prior research has identified the financial burden of regulation on firms, and also that this falls disproportionately on micro-firms (see for example Carter *et al.*, 2009; and UK Government, Gov.uk, 2013). Much of this burden can be attributed to what Edwards *et al.* (2003) termed ‘direct costs’ which are the directly attributable increases in required financial expenditures. An example might be higher wage costs following an increase in a statutory minimum wage for which the cost of compliance is at least partially fixed. This means that the overall costs are a disproportionately greater percentage of revenue for small firms than for larger firms. The OECD (2001) found that firms with 1-19 employees incurred regulatory costs up to five times higher than firms with 50-500 employees. Furthermore, Collard and Godwin (1999) found that while firms with 5000+ employees spent only £5 per-employee per-year on regulatory administration, firms with 1-4 employees spent up to £288 per-employee per-year.

In addition to direct costs, Edwards *et al.* (2003) also note that there are ‘indirect effects’ from regulation, such as the formalisation of business practices or simply having less time to develop the business as more time is spent on regulatory administration and record keeping<sup>5</sup>. Indeed, the Federation of Small Businesses (2004) found firms with 1-2 employees spend up to five times as many hours per employee dealing with regulatory issues as firms with 50+ employees. Furthermore, harsh penalties for non-compliance are often not scaled for business size (Tourism Regulation Taskforce, 2012). Micro-firms are further hampered by their limited resources, both in monetary and time costs, along with poor understanding of the relevant regulations (or changes therein) and a lack of managerial skill (*Chapter 3 of this thesis*; Carson, 1985; Johnson, 2002; O'Dwyer and Ryan, 2000).

However, another strand of literature reaches the somewhat contrary conclusion that regulation has no negative impact on micro-firm performance despite the broad findings of increased financial costs. Hart *et al.* (2008, p.9) suggests that for small firms, “*there is no necessary correlation between regulation and performance*”. Indeed, Edwards *et al.* (2003) found that not only were general complaints of regulation anecdotal in nature, but so were complaints of additional administrative costs. Further examples include IpsosMORI (2007),

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<sup>5</sup> This can be particularly troubling in the informal recording keeping environment of a micro-firm.

Vickers *et al.* (2005) and Kitching (2006), whom all failed to identify direct impacts from regulatory changes.

These two strands of the literature might be reconciled by the simple idea that any increase in costs faced by firms is entirely passed on to consumers in the form of higher prices. However, such a scenario seems rather unlikely given that virtually all products have a price elasticity of demand greater than zero. A more realistic explanation is that micro-firms often lack the detailed record keeping of larger firms thereby making the situation opaque and hence more difficult to quantify a link between the burden of regulation and performance. Furthermore, the aforementioned debate on appropriate performance measures for micro-firms suggest micro-firms hold a broad set of goals that go significantly beyond financial measures, and hence financial costs might not be detrimental to these broad measures of performance. In light of these discussions we therefore specify:

*H3: The Perceived-Burden of regulation will have a negative impact upon financial performance measures.*

*H4: The Perceived-Burden of regulation will have a negative impact upon goal related performance measures.*

The focus in most studies to date has been on the ‘burden’ of regulation, particularly when considering smaller firms. However, it should not be forgotten that regulation is usually created with good intentions, and hence there is inherently some value in regulation. The focus on burden might originate because, as IpsosMORI (2007, p.3) found, owner-managers tend “*towards the negative when spontaneously describing regulations*”. It is perhaps easier for owner-managers to identify potential negative aspects of regulation rather than the positive value. Aspects such as additional administrative burdens, higher labour costs, the erosion of common sense, and loss of control over the ‘destiny’ of the business, the fear of accidental non-compliance (and associated penalties) are often identified, perhaps because they may have disproportionate impacts on micro-firms (Edwards *et al.*, 2003; IpsosMORI, 2007).

Conversely, there are a number of potential benefits to regulation, although both IpsosMORI (2007) and Edwards *et al.* (2003) found that micro-firm owner-managers struggled to identify them without prompting. Relevant aspects include improved procedures, a level

playing field across the industry, a stimulus to encourage modernisation and innovation (even if only to mitigate the cost of compliance), improved inter-business and industry networking (while seeking support from fellow firms and trade-associations), and even finding legitimacy in existing practices (for example the use of flexible working, which the informality of micro-firms may already provide) (Edwards *et al.*, 2003; IpsosMORI, 2007; Ram *et al.*, 2001). Additionally, the close personal relationships between owner-managers and workers can engender a sense of duty and allow owner-managers to see benefits from an employee's perspective, for example offsetting the 'burden' of maternity leave by granting it to a close friend (IpsosMORI, 2007). In light of these discussions we therefore specify our next hypotheses relating to the impact of Perceived-Value of regulation:

*H5: The Perceived-Value of regulation will positively impact goal related performance measures.*

*H6: The Perceived-Value of regulation will positively impact on financial performance measures.*

### **3. Methodology**

#### ***3.1 Context, Sampling Frame, and Survey Design***

The English holiday accommodation industry is a fitting case to explore these issues because it is highly regulated<sup>6</sup> (Tourism Regulation Taskforce, 2012), largely consists of micro-firms, and is an important contributor to both the economy (Tourism Alliance, 2016) and employment (Tourism Alliance, 2015). The tourism industry accounts for 9.5% of UK employment, contributes 7.1% of GDP, and almost 70% of businesses in the industry are micro-firms (Tourism Alliance, 2015, 2016). The focus is on England, rather than the entire United Kingdom, due to regulatory differences between devolved regions. Firms within the industry may be categorised into two sub-sectors: serviced (i.e. bed and breakfasts, B&Bs) and non-serviced (i.e. caravan parks), which indicates the type of accommodation provided/the services on offer, and hence the regulations which may be in place thereby

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<sup>6</sup> For instance, it could be argued that caravan parks are subject to almost all of the same regulations that affect a small town, such as cabling, roadways, water and waste management.

potentially engendering different perceptions of regulatory burden and value<sup>7</sup>. There are a number of trade-associations and marketing groups within the industry, which provide support and marketing opportunities for members', including on regulatory matters. Indeed, trade-associations are an important source of such knowledge for micro-firms<sup>8</sup>.

A database of 3,805 potential respondents was developed using several publicly available sources including the AA, bedandbreakfast.com, BedPosts, the Caravan Club, the 'Little Green Book', Farm Stay UK, the Motorcaravanners Club Handbook, and UKParks.com. Given the focus of the study, the sampling frame was limited to firms with up to 9 employees operating in England. Owners were contacted via post and/or email, addressed by name where known and to 'the owner' where unknown, with several follow-ups over a six-month period from October 2014. There were 706 valid responses, representing a highly respectable 19% response rate, given the sampling frame (Saunders *et al.*, 2015).

The survey was pilot tested by a subset of relevant potential respondents and the main industry associations were approached with a draft of the survey to check the wording of the questions and to secure endorsements in the hope of enhancing response rates. Following the feedback provided by both sources, a small number of changes were made and the finalised survey was endorsed by the Bed and Breakfast Association, the British Hospitality Association, and Farm Stay UK; all of whom sent details of the study to their members. The national tourist board, VisitEngland, endorsed the study, providing details in their email and print publications. A further three groups: BedPosts, the National Caravan Council, and the Tourism Society; sent information about the study to their members without a formal endorsement.

Four areas of regulation, namely employment, anti-discrimination, fire, and health and safety, were chosen to be explored in the survey due to their applicability both within the tourism industry and their wider reach, given that they impact on almost all firms that either employ people or allow access to the public. Due to the different sub-sectors being surveyed, respondents were only asked about regulatory areas relevant to their business. For example, only those who claimed to have two or more workers were presented/asked to complete questions on employment regulation. The survey is part of a wider research study exploring

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<sup>7</sup> For example, in relation to fire regulations, a B&B must consider escape routes from each room and building, while a caravan park may consider this only for facilities buildings but must also contemplate the space between units (to reduce the risk of fire spreading).

<sup>8</sup> See *Chapter 3 of this thesis* for a more detailed view of the holiday accommodation sector, the services provided by each sub-sector and the role of trade-associations.

regulation and micro-firms, and so it included additional questions which are not relevant to this study.

### ***3.2 Analytical Approaches, Model Specification and Variable Construction***

We deploy several techniques to test the hypotheses developed in Section 2. The first group (H1 and H2), investigating the relationship between financial and non-financial measures, are examined using summary statistics and bivariate correlations as presented in Table 4 below (Ward *et al.*, 2002). Next, we use two versions of an ordered-probit model to explore the impact of the independent variables on two ordinal financial measures of success (H3 and H6). The model is described below and includes three control variables: number of employees, years in business, and serviced accommodation. The results are reported in Tables 5 and 6 below, with the marginal effects for both versions of the model presented in Appendix A for completeness.

*Three year [revenue or net profit] change*

$$\begin{aligned} &= B_0 + B_1 \text{Number of employees} + B_2 \text{Years in business} \\ &+ B_3 \text{Serviced accommodation} + B_4 \text{Perceived-Value of regulation} \\ &+ B_5 \text{Perceived-Burden of regulation} + \varepsilon_i \end{aligned}$$

To explore H4 and H5, that consider the impact of Perceived-Value and burden on goal satisfaction, a further variation of the model is employed. However, with the goal satisfaction dependent variable being both continuous and scalar, with higher values clearly indicating higher levels of goal satisfaction, the OLS estimation technique is utilised. The results are presented in Table 7 below.

*Goal Satisfaction*

$$\begin{aligned} &= B_0 + B_1 \text{Number of employees} + B_2 \text{Years in business} \\ &+ B_3 \text{Serviced accommodation} + B_4 \text{Perceived-Value of regulation} \\ &+ B_5 \text{Perceived-Burden of regulation} + \varepsilon_i \end{aligned}$$

All of our analyses are estimated in Stata v13, first by including the control variables then the independent variables. The primary variables utilised in all of our analyses are briefly described below.

### 3.2.1 Dependent Variables

**Financial Performance:** is measured by two metrics: revenue and net profit change over the past three years (at the time of the survey), with responses provided in three categories: decreasing (coded 1), stable (2), and increasing (3). These simplified measures heighten the likelihood of gaining responses given our micro-firm targets, who are generally less trusting about providing financial information in surveys or participating at all (Curran, 2000; Johnson, 2002; Pearce, 1990; Thomas *et al.*, 1998). This form of self-reported measure is commonly used in similar studies of small firms and Cruz *et al.* (2012) notes the accepted reliability and correlation with objectively collected data. Furthermore, both Che-Ha *et al.* (2012) and McElroy *et al.* (2001) recommend investigating economic change over time (even when collected as a snapshot), as we have done here.

Table 1 presents the percentage of respondents who reported their three-year revenue and net profit change in each category: decreasing, stable, and increasing. This highlights that while almost half of all respondents reported stable revenue and net profit, of the remainder a greater percentage reported that while revenue was increasing, net profit was not. Although there may be any number of causes, increased costs of regulatory compliance would likely be one of the contributors.

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**Table 1: Descriptive statistics for financial performance measures**

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|                   | <i>Percentage of respondents reporting to be in each category</i> |        |            |
|-------------------|---|--------|------------|
|                   | Decreasing  | Stable | Increasing |
| Revenue change    | 18.87%  | 47.34% | 33.79%     |
| Net profit change | 25.47%  | 48.72% | 25.81%     |

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**Goal Satisfaction:** the level of satisfaction (1-7 Likert scale, very dissatisfied to very satisfied) with each of a set of ten potential goals for a business, averaged into a single construct variable. Given the wide range of goals that have been identified, we developed our own list of goals, starting with a number of existing lists from the literature, primarily from Andersson *et al.* (2002), Birley and Westhead (1994), Carter *et al.* (2003), Greenbank (2001), and Shane *et al.* (1991). We removed direct thematic duplicates, along with items which were irrelevant to our micro-firm and tourism context. Given considerable evidence that non-financial goals are favoured by micro-firms (e.g. Dewhurst and Horobin, 1998), only one directly financial goal was included, which itself is tailored towards profit satisficing rather than “making money for money’s sake”.

The resulting list was pilot tested (in addition to the survey pilot test) with informal interviews of several potential respondents, beginning with an inquiry into goals, before asking specifically about our compiled list of goals. Additionally, we collaborated with the Bed and Breakfast Association to further ensure the validity of the list, which they then approved (as did all subsequent trade-associations when they endorsed the study). This resulted in our final list of ten goals, presented in Table 2, which shows the mean satisfaction scores, along with the percentage of respondents who reported holding each of the individual goals (the mean satisfaction for the construct variable is presented in Table 4).



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**Table 2: Owner-manager identified goals**

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| Goal   | Percentage of respondents reporting they hold the goal | Mean Satisfaction | SD   |
|--|--|-------------------|------|
| Having free time for non-business activities                               | 25%  | 4.73              | 1.50 |
| Being your own boss  | 55%  | 6.14              | 0.87 |
| To pursue a desired lifestyle or hobby                                     | 24%  | 5.10              | 1.47 |
| To have greater flexibility for your personal and family life              | 38%  | 5.15              | 1.44 |
| To be challenged by the problems and opportunities of operating a business | 14%  | 5.22              | 1.16 |
| To have work satisfaction  | 44%  | 5.78              | 1.00 |
| Achieving financial security   | 58%  | 5.14              | 1.27 |
| Desire to meet new people  | 29%  | 5.68              | 1.05 |
| Giving employment opportunities to your family                             | 13%  | 4.81              | 1.14 |
| Giving employment opportunities to those who need them                     | 7%   | 4.71              | 1.12 |

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*Note: Scale (1-7) where 1 indicates very dissatisfied and 7 very satisfied.*

### 3.2.2 Independent Variables

**Perceived-Value:** based on the level of agreement (1-7 Likert scale, strongly disagree to strongly agree) with a number of items regarding the positive aspects of the four areas of regulation (see Table 3). The items are partly based on Edwards *et al.* (2003) and IpsosMORI (2007), and were developed using Spector's (1992) guidelines. The construct was aggregated using the mean score of agreement across each area of regulation.

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**Table 3: Survey items used to develop independent variables**

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| Perceived-Value                                    | Perceived-Burden  |
|--|---|
| I understand why [each] regulations exist          | Small businesses, such as my own, should be exempt from the full force of [each] regulation |
| [Each] regulations should apply to all businesses  |   |
| I believe [each] regulations are good for business | The protections afforded by [each] regulations are an unreasonable burden on my firm        |
| [Each] regulations are a sensible control on firms |   |

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*Scale (1-7) where 1 indicates strongly disagree and 7 strongly agree. Each statement was presented for the four areas of regulation (employment, anti-discrimination, fire, and health and safety), with the name of the regulation in place of [each].*

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**Perceived-Burden:** based on the level of agreement (1-7 Likert scale, strongly disagree to strongly agree) with a number of items for each regulation, related to the perceived ‘burden’ that firms may face (see Table 3). The items were developed using Spector’s (1992) guidelines, partly based on Edwards *et al.* (2003) and IpsosMORI (2007). The construct was again aggregated using the mean score of agreement across the items.

We use these two variables, Perceived-Value and Burden, to explore the mixed feelings respondents may feel towards regulation, namely that they can simultaneously view both the positive and negative aspects, from the perspectives of both business owners and customers. The items used to capture the value and burden of regulation consider regulation in generic terms rather than in regard to the impact of specific regulations. This approach was chosen in order to allow for the inherent variation between firms and to offset both the negative preponderance observed in previous studies regarding the burden of regulation and the apparent difficulty that firms face when independently identifying the potential positive impacts of regulation (Edwards *et al.*, 2003; IpsosMORI, 2007).

Control variables regarding the respondents’ business were also collected leading to the following variables to be used:

**Years in business:** a categorical variable (0/1) indicating the number of years that the current owner-manager has operated the business. It distinguishes between 1-10 years (the

base category, 0), and 11-60 years (category 1). Note that no respondent reported running their firm for more than 60 years. Fewer years in business may indicate that the firm is at a different stage of its lifecycle, i.e. new and expanding (Andersson *et al.*, 2002).

**Number of employees:** a categorical variable (0/1) which distinguishes between the number of people working in the firm, including the owner-manager. The base category (0) is one worker, indicating the owner-manager works alone, while category 1 designates 2-9 workers, which indicates either a family based firm or one with employees. It distinguishes the smallest and least complex firms, from those who are larger and may fall under wider regulation.

**Serviced accommodation:** also a categorical (0/1) variable where category 1 indicates serviced accommodation, while the base category (0) indicates non-serviced accommodation. This designates the level of service provided and allows for differences relating to the extent, type, and enforcement of regulation placed on each type of firm.

### ***3.3 Data Validation***

For each construct variable, Cronbach's alpha was calculated to test for convergent validity and in each case was found to exceed the accepted minimum of 0.7 (DeVellis, 2012). Additionally, the items for Perceived-Value and Perceived-Burden were included within a larger set of questions in the survey and were tested using Principle Component Analysis, which highlighted our selected constructs as viable (Hair *et al.*, 2010; Spector, 1992). Face validity for goal satisfaction is satisfied through the process of pilot testing the goal items with both potential respondents and the supporting trade-associations (Hair, 1998; Hair *et al.*, 2010).

In collecting all variables from a singular survey source there is a risk of common method bias (Podsakoff *et al.*, 2011), which was mitigated by independently sourcing data on a number of variables, including from Companies House, firms' own websites and trade publications, and then comparing these to the survey responses. We found no evidence of bias or misreporting. Furthermore, we were able to test the validity of subjective assessment (Rong and Wilkinson, 2011) through the pilot study, ensuring the understanding of questions matched our expectations. Additionally, the survey was structured to separate key areas and

thus reduce the risk of respondents linking different concepts. Finally, respondents were assured of both anonymity and confidentiality to elicit truthful responses.

## 4. Results

### 4.1 Perceived-Value and Burden of Regulation

Table 4 presents the descriptive statistics for each of the core variables. It is interesting to note the mean of the Perceived-Value of regulation (5.34) is considerably higher than that of the Perceived-Burden (3.81), corresponding with “somewhat agree” to “agree”, and “somewhat disagree” to “neither agree nor disagree” respectively. This suggests that despite common rhetoric highlighting only the burden of regulation, respondents in fact seem to value regulation more than they identify it as an actual burden. Furthermore, there is a strong negative correlation between Perceived-Value and Perceived-Burden, indicating that as Perceived-Value increases, Perceived-Burden decreases, implying value can actually offset burden. These initial results demonstrate the importance of exploring both value and burden when considering regulation.

**Table 4: Descriptive statistics**

|                             | Mean | SD   | 1      | 2      | 3      | 4     | 5 |
|-----------------------------|------|------|--------|--------|--------|-------|---|
| 1. All goal satisfaction    | 5.38 | 0.94 | -      |        |        |       |   |
| 2. Perceived-Value          | 5.34 | 0.80 | 0.27*  | -      |        |       |   |
| 3. Perceived-Burden         | 3.81 | 1.15 | -0.19* | -0.48* | -      |       |   |
| 4. 3-year revenue change    | 2.15 | 0.71 | 0.21*  | 0.09*  | -0.17* | -     |   |
| 5. 3-year net profit change | 2.00 | 0.72 | 0.25*  | 0.14*  | -0.19* | 0.77* | - |

\* $p < .05$

#### ***4.2 Financial Measures of Success***

Table 4 also demonstrates the small positive correlations between each of the two financial measures and goal satisfaction, indicating a (small) link between the objective and subjective measures of success. This supports H2, that there will be a weak correlation between the two, and by extension, H1, that the correlation will be positive (see Table 8 below for a summary of hypotheses and which are supported). Additionally, there are small positive correlations between each financial measure with Perceived-Value, thus suggesting some initial support for H6, which posits such an impact. Similarly, there are also stronger negative correlations between each financial measure and Perceived-Burden, suggesting some initial support for H3, which explores such an impact. These initial conclusions regarding H3 and H6 will be further explored econometrically.

Table 5 presents the ordered probit model for three-year revenue change, while Table 6 presents the same for three-year net profit change. In both cases, the initial estimation includes only control variables, with the independent variables being added in the second estimation.

In both versions of the model, we can see that Perceived-Value has no statistically significant impact upon on either measure of performance. This implies the benefits of regulation (i.e. the level playing field and higher standards) are not having a direct impact upon financial performance, providing no support for H6, which posits a positive impact. Meanwhile Perceived-Burden demonstrates a negative effect on financial performance, supporting H3 and indicating burden has a negative impact. This is not entirely unexpected, as the burdens of regulation (such as monetary and time costs) are likely to have direct impacts, particularly on net profit as monetary costs increase. These models also potentially suggest that burden may have a stronger impact on financial rather than goal based performance. Similarly, the lack of support for value impacting performance suggests that value may have a stronger impact on goal satisfaction than financial performance measures.

**Table 5: Ordered Probit.**  
**Dependent variable: Change in Revenue (over 3 years)**

| Independent variables  | (1)                | (2)                |
|------------------------|--------------------|--------------------|
| Number of employees    | 0.06<br>(0.12)     | 0.06<br>(0.12)     |
| Years in business      | -0.85***<br>(0.11) | -0.82***<br>(0.11) |
| Serviced accommodation | 0.08<br>(0.12)     | 0.08<br>(0.12)     |
| Perceived-Value        |                    | -0.02<br>(0.08)    |
| Perceived-Burden       |                    | -0.16**<br>(0.06)  |
| Threshold              |                    |                    |
| Cut 1                  | -1.41              | -2.08              |
| Cut 2                  | -0.02              | -0.66              |
| Log likelihood         | -456.86            | -451.96            |
| Chi-square             | 62.32 (3 df)       | 72.11 (5 df)       |

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.001$ . Note: Standard Error in parentheses.  
Note: dependent variable coded (1) decreasing, (2) stable, (3) increasing.

**Table 6: Ordered Probit.**  
**Dependent variable: Change in Net Profit (over 3 years)**

| Independent variables  | (1)                | (2)                |
|------------------------|--------------------|--------------------|
| Number of employees    | 0.02<br>(0.12)     | 0.02<br>(0.12)     |
| Years in business      | -0.68***<br>(0.11) | -0.64***<br>(0.11) |
| Serviced accommodation | 0.07<br>(0.11)     | 0.09<br>(0.11)     |
| Perceived-Value        |                    | 0.07<br>(0.08)     |
| Perceived-Burden       |                    | -0.13**<br>(0.05)  |
| Threshold              |                    |                    |
| Cut 1                  | -1.10              | -1.19              |
| Cut 2                  | 0.25               | 0.18               |
| Log likelihood         | -478.11            | -472.34            |
| Chi-square             | 41.71 (3 df)       | 53.26 (5 df)       |

*\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.001$ . Note: Standard Error in parentheses.  
Note: dependent variable coded (1) decreasing, (2) stable, (3) increasing.*

Additionally, the models demonstrate a negative impact from the number of years in business. This variable differentiates between owner-managers who have been in place for up to 10 years, and those who have been in place for up to 60 years, implying that the firms' point in the business lifecycle matters. It might be that a younger firm may still be growing, while a more established firm merely seeks to maintain its position in the market.

### **4.3 Goal Satisfaction**

In addition to what has already been discussed, the mean score for goal satisfaction is 5.38 (see Table 4) suggesting that overall, respondents - in broad terms - are generally fairly satisfied with their performance using this broader measure. Furthermore, Table 4 also presents a small positive correlation between goal satisfaction and Perceived-Value, along with the small negative correlation with Perceived-Burden, again demonstrating both the imbalance between value and burden, and suggesting that for goals, value has a greater role than burden. To explore this further, Table 7 presents the OLS regression models for goal satisfaction, first with just the control variables (model 1), then with Perceived-Value and Perceived-Burden (model 2).

Unlike the ordered probit models for the two financial performance measures, Perceived-Burden has no statistically significant impact upon goal satisfaction; thus H4, is not supported. This suggests regulations are not detrimental to goal satisfaction measures of performance despite anecdotal evidence about the damaging effects of red tape (e.g. Edwards *et al.*, 2003; and IpsosMORI, 2007). Furthermore, in light of the previous results concerning financial performance measures in Section 4.2, this finding also supports the suggestion that regulatory burden may have a greater impact on financial measures of performance than on goal satisfaction.

The results also show that Perceived-Value has a statistically significant and positive impact on goal measured performance, thereby supporting H5. This is again a noteworthy result as it suggests the benefits of regulation can actually enhance some measures of performance. This plus our earlier findings on financial measures of performance, suggests that Perceived-Value has a stronger impact on goals (than Perceived-Burden). Indeed, these results, combined with the different means for the value and burden of regulation (Table 4), imply regulation is valued more than being viewed as a burden when wider performance measures are adopted.



**Table 7: OLS regression. Dependent variable: Goal Satisfaction**

| Independent variables   | (1)               | (2)               |
|-------------------------|-------------------|-------------------|
| Intercept               | 5.64***<br>(0.11) | 4.16***<br>(0.44) |
| Number of employees     | -0.25**<br>(0.94) | -0.24**<br>(0.09) |
| Years in business       | -0.13<br>(0.08)   | -0.07<br>(0.82)   |
| Serviced accommodation  | 0.06<br>(0.08)    | 0.11<br>(0.08)    |
| Perceived-Value         |                   | 0.28***<br>(0.00) |
| Perceived-Burden        |                   | -0.02<br>(0.04)   |
| Adjusted R <sup>2</sup> | 0.01              | 0.07              |
| F (3, 480)              | 3.10**            |                   |
| F (5, 478)              |                   | 8.58***           |

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.001$ . Note: Standard Error in parentheses.

Additionally, while the number of years in business shows no statistically significant impact in this version of the model, the number of employees demonstrates a negative impact, with the smallest firms (having no employees) more satisfied than larger firms. This may be a result of the inherent complexity which comes from running a larger firm, along with an increased degree of separation between the owner-manager and some aspects of the business. For instance, by hiring a receptionist, the owner-manager of a B&B may spend less time face-to-face with customers, which would hamper satisfaction towards the goal “*desire to meet new people*”.

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**Table 8: Summary of hypotheses**

|    |  |               |
|----|--|---------------|
| H1 | There will be a positive correlation between financial and non-financial performance measures.         | Supported     |
| H2 | There will be weak correlation between financial and non-financial performance measures.               | Supported     |
| H3 | The Perceived-Burden of regulation will have a negative impact upon financial performance measures.    | Supported     |
| H4 | The Perceived-Burden of regulation will have a negative impact upon goal related performance measures. | Not supported |
| H5 | The Perceived-Value of regulation will positively impact goal related performance measures.            | Supported     |
| H6 | The Perceived-Value of regulation will positively impact on financial performance measures.            | Not supported |

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## 5. Wider Discussion

Our finding that the Perceived-Burden of regulation has a negative impact on financial measures of performance identifies in micro-firms what has been found elsewhere in the literature in regards to larger small firms. In particular the results suggests the existence of what Edwards *et al.* (2003) termed the ‘direct’ costs of regulation: a cost increase, such as an increase to a minimum wage, which directly impairs net profitability. There will also likely be indirect time costs associated with the opportunity costs of researching, understanding, and implementing regulatory changes. In micro-firms, such time costs are doubly deleterious as they are not carried out by specialised teams, but most likely the owner-manager themselves, at the detriment of other business and profit making activities for which they are also responsible. This likely contributes to what Falta and Gallery (2011) term a ‘firefighting’ mentality, in which owner-managers feel they are so time constrained that business development takes a back seat to dealing with one immediate issue after another. As such the burden of regulation might explain why some micro-firms remain small even when expansion might form part of the owner-manager’s set of goals.

That Perceived-Burden was found not to impact goal satisfaction might help explain and reconcile previous literature in this area where different streams have found there to not only

be a disproportionate financial burden on small firms (e.g. OECD, 2001; and Collard and Godwin, 1999) but also no direct link between regulation and firm performance (Edwards *et al.*, 2003; and Kitching, 2006). Previously these streams have been hard to reconcile given that firm performance has been measured mainly in financial terms and hence the findings of the two streams were fundamentally at odds concerning the burden of regulation. However, our findings suggest that while financial performance does seem to be negatively impacted by regulation, this does not translate into a meaningful constraint on a broader notion of performance as measured against the goals held by the owner-manager. Such findings are not only useful in their own right but also illustrate clearly the importance of selecting suitable measures of performance.

Financial and goal based measures of performance are very different in many ways. However, by building on the work of Besser (1999) we also found that goal based performance measures positively but weakly correlate with more traditional financial performance measures. This might reflect the fact that no matter what non-financial goals an owner-manager may hold for their firm, if it cannot at least break-even, then the business is ultimately doomed to failure. It might therefore be that financial success facilitates to some extent the attainment of the wider set of goals held by owner-managers. Revenue and profits are not necessarily desired for their own sake but for how they help to facilitate the realisation of other goals.

The unique central role played by owner-managers in micro-firms is important as it likely contributes to a mentality that regulation is especially onerous and burdensome, and thus why there is so much anecdotal evidence of this. Owner-managers are exposed to all relevant regulations, along with the potential impacts and perceived burdens, and must also devise ways to comply. In contrast, in larger firms (including SMEs), there is likely to be insulation between regulation and the ultimate owner. Therefore the owner-manager of a micro-firm likely develops an instinct for burden based upon the aggregation of all possible negative impacts, thereby heightening the perceived overall impact. For example, a micro-firm with no employees of child-bearing age, may still consider the potential burden of maternity and paternity leave, even though it is unlikely to affect them. Similarly, legally compliant owner-managers may still worry about the potential costs of an employment tribunal simply because they have been exposed to 'horror stories' featured in trade-association publications. We would therefore suggest that while it is not possible to say the concerns over the Perceived-Burden of regulation are invalid, it would seem that such concerns are over-stated,

particularly in relation to micro-firms and their wider preferred goal based measures of performance.

By moving beyond a focus purely on the burden of regulation that has been the preoccupation of prior studies, we have found Perceived-Value of regulation is a more important determinant of the performance of micro-firms. This is likely due, at least in part, to both the use of subjective measure of goals for performance which are more suitable for micro-firms, and a more independent approach of measuring the value of regulation which did not require owner-managers to list specific positive impacts.

Thus having identified that burden of regulation is overstated within other studies, we would therefore also suggest that value of it is understated. This might be because, as Edwards *et al.* (2003) and IpsosMORI (2007) found, owners and managers are much faster to point out the burdens of regulation than identify the benefits, and without prompting it can even be difficult for them to identify any positive impacts at all. This is perhaps unsurprising when any benefits associated with regulation are less likely to have a ‘direct positive impact’ to offset the ‘direct cost’, i.e. while an increase in the legal minimum wage increases wage costs, it does not increase revenue or directly lead to an increase in productivity.

What is probably not explicitly considered by owner-managers is there are a host of indirect benefits that can be associated with regulation. For instance, while many owner-managers will prize the informality within their firms, we know in some cases regulation actually legitimises their actions, such as the case of offering flexible working to employees (Arrowsmith *et al.*, 2003). Furthermore, the close personal relationships within micro-firms likely allows owner-managers to view first-hand the potential benefits to their friends and family (i.e. their employees) of implementing a variety of employment regulations such as flexible hours, pension entitlements, or maternity/paternity leave. Such benefits may not factor into improved financial performance (unless a regulatory change improved productivity for example) but would be much more likely to factor into goal satisfaction levels. This dual perspective as both employer and as a friend/family member may even go so far as to mitigate the Perceived-Burden. A further consequence of regulation may be a move to improve procedures, and hence a stimulus toward modernisation and innovation. In the accommodation context, particularly for micro-firms, this could manifest as a move towards a computerised booking system, reducing the risk of human error and allowing for the potential of online booking, for example. Furthermore, fear of non-compliance penalties

contributes to Perceived-Burden, but this can be alleviated by (following the regulations) to develop specific procedural practices, which not only reduce the exposure to (for example) employment tribunals, but also improve confidence and consistency when dealing with employees.

In many ways one of the most obvious benefits of regulation is it creates a level playing field for all firms within the sector as all are subject to the same minimum standards. As long as all adhere to the regulations, this ensures businesses are not undercut by one adopting lower and cheaper standards. However, in the accommodation sector, developments associated with the sharing economy, including the success of businesses such as Airbnb, pose challenges in this regard as such new businesses are competing in the same market space as traditional businesses like B&Bs, but are subject to different and currently less onerous forms of regulation (at least in the UK). In such settings, regulations, even when previously adopted and accepted, can become an increasing financial burden to traditional businesses.

In addition to Perceived-Value and Burden, our results highlight two further factors which impact performance. Firstly, the number of years in business was found to have a negative impact but only on financial performance. This may be due to older firms being in a later part of their business lifecycle, thus no longer new and expanding. It is also possible that a more experienced owner-manager who may have been exposed to more regulation and regulatory change, is actively attempting to reduce the size of the business to reduce the perceived regulatory burden (as many regulations do not apply, or fully apply, to smaller firms). That the number of years in business has no impact on goal satisfaction again highlights the importance of investigating how micro-firm owner-managers measure performance, as older owner-managers remain as satisfied as their younger counterparts, even in the face of stable or decreasing revenue and profit.

Secondly the number of employees was found to have a negative impact on goal satisfaction, but no impact on financial performance. This is not entirely unsurprising, as a firm looking to enhance profits would only employ workers when it made financial sense to do so, but a firm with more employees will be larger and hence more complex. This complexity may be the issue for goal satisfaction as there is likely to be increasing separation between the owner-manager and some aspects of the business as it grows. A B&B owner-manager hiring a receptionist may find they spend less time dealing directly with customers, thereby hampering their “*desire to meet new people*” goal. Furthermore, employment regulations

may become increasingly complicated over a relatively small threshold of workers (as in the UK), increasing the organisational complexity in a nonlinear fashion, thereby creating a dynamic shift between operating as a ‘one-man band’ and employing workers.

## **6. Conclusions**

Using newly collected primary data focussed on traditionally overlooked micro-firms, we identified owner-manager goals to be an appropriate measure of business performance, and indeed, one which positively but weakly correlates with more traditional financial performance measures. Furthermore, unlike previous studies, we investigated both the Perceived-Value and Burden of regulation. Despite the negative rhetoric commonly associated with the damaging impact of red tape on firms, we found the burden of regulation has been overstated in studies of small firms to date. Our results show that whilst regulation does negatively impact financial performance, it has no impact on goal satisfaction which is a more relevant measure of success for owner-manager run micro-firms. This dichotomy between different performance measures goes a long way to explaining the inconsistent results of previous studies on the impact of regulation which have usually concentrated on financial measures of performance and burden. Meanwhile the Perceived-Value of regulation, which has not been explored before, is in fact a more important and positive determinant of the type of performance that matters most to micro-firms. In this sense we have found regulation to be both good and bad for firm performance in contrast to other studies, and would therefore suggest that this holistic approach is a better way to examine the impact of regulation going forward.

Given past studies have illustrated that owner-managers cannot identify easily the benefits of regulation (but can readily do so with the burdens), our findings suggests it is crucial that any future regulatory changes are accompanied by appropriate information. The rationale behind the regulation and the positive impacts it might bring need to be communicated to owner-managers, whether it be directly from policy-makers/government or via other sources such as trade-associations. To do so will enhance the benefits associated with the regulation and hence perceived performance, whilst also helping to move away from viewing regulation merely as an unwelcome burden.

In drawing these conclusions, we recognise that our study might be somewhat limited by our choice of measures of financial success (though such measures aid response rates for micro-

firms). Furthermore, our survey captured firm goals at a single point in time, and future studies may wish to examine how they may have changed over the course of the business lifecycle or as a result of regulatory (or other) impacts. It could be argued that Perceived-Burden's lack of impact on goal satisfaction is due to goals being 'rewritten' around regulation, as suggested by Greenbank (2001), thereby negating any negative impact. Since we examined a pre-defined list of goals (i.e. we have not allowed respondents to consider alternative goals) we would suggest that such an impact is limited but it would be difficult to quantify this without a longitudinal study of goals over a prolonged period.

Our use of both the Perceived-Value and Burden of regulation has identified a significant new stream of work for future exploration, as it offers a more nuanced approach than the traditional use of just burden. Areas which warrant further study include the use of more detailed measures of business success, and using individual regulations to explore specific burdens, costs, benefits, and notions of value. Furthermore, investigating the relationship between Perceived-Value, Burden, and regulatory compliance also has merit, as does an examination of the over-estimation of burden, comparing perceived against actual costs.

**Appendix A: Ordered probit marginal effects for  
Three-Year Revenue and Net Profit Change**

|                        | 3 year revenue change |                  |                  | 3 year net profit change |                  |                  |
|------------------------|-----------------------|------------------|------------------|--------------------------|------------------|------------------|
|                        | Pr(Y=1)<br>dy/dx      | Pr(Y=2)<br>dy/dx | Pr(Y=3)<br>dy/dx | Pr(Y=1)<br>dy/dx         | Pr(Y=2)<br>dy/dx | Pr(Y=3)<br>dy/dx |
| Number of employees    | -.01<br>(.03)         | -.01<br>(.01)    | .02<br>(.04)     | -.01<br>(.04)            | -.00<br>(.00)    | .01<br>(.04)     |
| Years in business      | .18***<br>(.02)       | .12***<br>(.02)  | -.30***<br>(.04) | .18***<br>(.03)          | .03**<br>(.02)   | -.22***<br>(.04) |
| Serviced accommodation | -.02<br>(.03)         | -.01<br>(.01)    | .03<br>(.04)     | -.03<br>(.03)            | -.00<br>(.00)    | .03<br>(.04)     |
| Perceived-Value        | .00<br>(.02)          | .00<br>(.01)     | -.01<br>(.03)    | -.02<br>(.02)            | -.00<br>(.00)    | .02<br>(.03)     |
| Perceived-Burden       | .04**<br>(.01)        | .02**<br>(.01)   | -.06**<br>(.02)  | .04**<br>(.02)           | .00<br>(.00)     | -.04**<br>(.02)  |

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.001$ . Standard Error in parentheses.

dy/dx is for discrete change of dummy variable for all but the perceptions of value and burden. Note: dependent variables coded (1) decreasing, (2) stable, (3) increasing.

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## 5. Paper Three: Compliance

|   |  |           |                          |           |                          |          |                          |           |                          |
|---|--|-----------|--------------------------|-----------|--------------------------|----------|--------------------------|-----------|--------------------------|
| <b>This declaration concerns the article entitled:</b>                                  |  |           |                          |           |                          |          |                          |           |                          |
| Perceived Regulatory Compliance in Micro-Firms: The Case of English Accommodation Firms |  |           |                          |           |                          |          |                          |           |                          |
| Publication status (tick one)   |  |           |                          |           |                          |          |                          |           |                          |
| Draft   | <input checked="" type="checkbox"/>  | Submitted | <input type="checkbox"/> | In review | <input type="checkbox"/> | Accepted | <input type="checkbox"/> | Published | <input type="checkbox"/> |
| Publication details (reference)   | <p>Given that this paper builds on concepts developed in Paper Two, this is a draft, intended for submission to <i>Tourism Management</i> by the end of 2017, following the revised resubmission of Paper Two. If accepted, the reference would read:</p> <p>Betton, M.E., Branston, J.R. &amp; Tomlinson, P.R., 2017. Perceived Regulatory Compliance in Micro-Firms: The Case of English Accommodation Firms. <i>Tourism Management</i>.</p>   |           |                          |           |                          |          |                          |           |                          |
| Candidate's contribution to the paper (detailed, and also given as a percentage)        | <p>The candidate considerably contributed to the...</p> <p><b>Formulation of ideas:</b> 70%. I devised the basis of the paper, including the exploration of both Perceived Own-Firm and Competitor Compliance, and studied further literature as necessary. I created the initial draft of the paper, containing most of the ideas in raw form. From this, the second and third authors and I, made revisions throughout the paper, before we each approved of the version included herein.</p> <p><b>Design of methodology:</b> 70%. I devised and refined the survey, based on the outcomes of the pilot study. I also developed each of the variables from the constituent survey questions and ran all of the statistical analyses, with methodological support from the second and third authors.</p> <p><b>Experimental work:</b> 90%. I alone conducted the survey, communicated with respondents (potential and otherwise), and liaised with trade-associations, although financial support for postal survey and the prize draw was provided by the second author.</p> <p><b>Presentation of data in journal format:</b> 90%. I followed the Guide for Authors for the <i>Tourism Management</i> journal and read a number of articles from the journal, thus ensuring the presentation would be acceptable and in keeping with the expected level of work. Special consideration was given to the journal's formatting requirements, such that greater detail is provided (e.g. Cronbach's alpha, skew, and kurtosis values for each construct) in an appendix table, rather than presented in the text. Additionally, a table of descriptive statistics for all included variables is presented in the text and given its nature, is the most comprehensive presentation of the variables used in this thesis. The use of footnotes was also limited in accordance with the journal's guidelines.</p> |           |                          |           |                          |          |                          |           |                          |
| Permission  | As this paper is in draft form, no permission is necessary at this stage. When it is submitted to <i>Tourism Management</i> , the covering letter will make it clear that the paper forms part of this thesis, which has been restricted for three years, thus guaranteeing journal exclusivity for a predetermined period.  |           |                          |           |                          |          |                          |           |                          |
| Candidate Statement   | This paper reports on original research I conducted during the period of my Higher Degree by Research candidature.   |           |                          |           |                          |          |                          |           |                          |
| Signed  |   |           |                          |           |                          | Date     | 25/09/2017               |           |                          |

# **Perceived Regulatory Compliance in Micro-Firms: The Case of English Accommodation Firms**

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## **Abstract**

Regulation is designed to limit the operation of firms, but is only successful when firms actually comply. This compliance is determined by several factors, including knowledge-of, and attitude-towards regulation, which consists of both its associated burden and value. Existing literature generally ignores value, focuses on ‘high-risk’ industries, and overlooks micro-firms, though they are the most numerous of firms and their limited resources mean they are less likely to comply. This paper explores Perceived Own-Firm and Competitor Compliance in micro-firms in the research-neglected tourism industry, using original survey data and multivariate regression. Perceived Own-Firm Compliance appears to exceed knowledge of regulation, which itself is found to be poor. Perceived Competitor Compliance is thought to be very low. Attempts to improve only Own-Firm Compliance will likely have a detrimental effect on Perceived Competitor Compliance, meaning that both must be approached in tandem to actually have a positive impact on efforts to comply.

**Keywords:** Micro-Firms, Regulation, Compliance, Self-Assessment, Knowledge, Regulatory Cost-Benefit, Better-Than-Average, Trade-Associations.



## 1. Introduction

Regulation is an omnipresent part of everyday life given it impacts everything from the way we are treated by employers to the cost and quality of the products we buy, yet it often goes unnoticed. By definition, regulation is a set of rules from government that limits what firms can do and how they can do it, thereby restricting the free choice that managers would otherwise enjoy (Atherton *et al.*, 2008; BRTF, 2007), and hence is one of the most important determinants of firm behaviour (Lynch-Wood and Williamson, 2014). Firms must implement and/or adhere to all applicable regulations, and then maintain this compliance in a constantly evolving regulatory landscape which requires ongoing learning of new requirements that must be both understood and implemented. Poor or incomplete compliance, or indeed non-compliance, not only risks prosecution, but for smaller firms in particular, also jeopardises the very existence of the business. Large fines, lost business due to temporary closures or reputational damage, or in the case of an accident, the cost of compensation, along with recruitment and training of a replacement, may exceed the limited funds available (Boustras *et al.*, 2015; Shalini, 2009).

Many factors have been identified as possible determinants of the extent to which firms comply with regulations, including knowledge-of and attitude-towards regulation, levels of (government) enforcement, and perceptions of competitor compliance (Boustras *et al.*, 2015; Fernández-Muñiz *et al.*, 2009; Mendoza *et al.*, 2016; Thomas *et al.*, 2016). Yet understanding of the determinants of compliance is incomplete for a number of reasons, most especially in regard to micro-firms. Firstly, the regulatory environment is very wide ranging (and indeed constantly evolving according to Lynch-Wood and Williamson, 2014) but most of the extant compliance literature only considers perceived ‘high risk’ regulations and industries, such as health and safety law or the construction industry (where non-compliance could be fatal). This means that some industries (such as tourism studied herein) are chronically under-researched (Hasle and Limborg, 2006; Hasle *et al.*, 2012) yet might provide distinctive results given the different nature of their activities. Secondly, a number of existing determinants are not thoroughly understood. For instance, attitude towards regulation is seen to be important but it has thus far only been considered in simple terms, without any consideration that regulation can have both benefits and burdens (Fooks and Mills, 2017). Finally, the limited compliance literature considering smaller firms either subsumes micro-firms into a broad ‘small firms’ category (Servon *et al.*, 2010) or excludes

them altogether (Arrowsmith *et al.*, 2003)<sup>1</sup>. Yet, the small size of micro-firms means that in most cases the owner also acts as the manager, and likely operates within all areas of the business. This makes owner-managers uniquely positioned to be both the main conduit-for, and decision-making agent behind, business regulatory compliance. Furthermore, micro-firms exist in most industries, accounting for 96% of all firms, 32% of private sector turnover, and 19% of private sector turnover in the UK (BEIS, 2016a). They also encompass a variety of business types including entrepreneurial ventures and family businesses, along with sole traders and, simply, very small firms, so a thorough understanding of their unique compliance is a significant omission from the literature.

This study addresses these deficits by investigating micro-firms in the English accommodation industry, thereby making a two-fold contribution. The first is a broad theoretical contribution by exploring the determinants of regulatory compliance, including consideration of both Own-Firm and Competitor Compliance. A key development is the identification that attitudes towards regulation can be better explored using the balanced evaluation of regulation suggested by *Chapter 4 of this thesis*, which considers both the value (benefits) and burden (costs) of regulation, in contrast to the ‘burden-centric’ method which typifies other studies of regulation to date. We then make an empirical contribution by exploring the identified potential determinants of perceived-compliance with original survey data in the English accommodation sector, thereby advancing regulatory compliance research in the neglected field of micro-firm study in general and the often-overlooked tourism industry in particular. The tourism industry represents a fitting case as with over 21,000 regulations estimated to be in place, it is highly regulated and it features a high proportion of micro-firms (Tourism Regulation Taskforce, 2012). The focus is on perceived compliance rather than actual compliance since perceptions are what determine organisational decision-making (Fayolle and Liñán, 2014; Newell and Shanks, 2014; Sitkin and Weingart, 1995).

The remainder of this paper is set out as follows: Section 2 presents a review of the literature on micro-firms, regulatory compliance, and (self) assessment skills, culminating in a set of hypotheses to be tested. Section 3 presents the chosen case, detailing the survey and the newly collected data, along with the methodological approaches used. Section 4 reports the

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<sup>1</sup> For example, the European Survey of Enterprises on New and Emerging Risks (ESENER) which excluded firms with less than 10 employees in 2010, and in 2014 excluded firms with less than 5 employees, despite the fact that 92% of registered EU firms have 0-9 employees (Boustras *et al.*, 2015; EU-OSHA, 2010, 2014).

results of the analysis and in doing so, reveals the level of support for the hypotheses. Finally, Section 5 explores these findings in greater detail, along with a discussion of recommendations, while Section 6 offers a brief conclusion to the study.

## **2. Literature Review**

### ***2.1 Micro-Firms and Regulation***

Generally implemented by governments with the best of intentions, regulation is a set of rules/interventions that seek “*to change the behaviour of individuals or groups*” (BRTF, 2007, p.1) for the collective benefit of society. For example, health and safety legislation ensures a safe environment for workers and consumers, while employment law ensures reasonable working conditions. However, regulatory measures are far from perfect, with numerous intended beneficial impacts to society often accompanied by increased costs and wider burdens, which generally apply to firms (Fooks and Mills, 2017). For example, the requirement to make premises accessible is clearly designed to ensure disabled individuals are not excluded and hence create a fully inclusive society, but potentially also results in massive costs to firms that have to undertake expensive adjustments, especially since the requirement to make ‘reasonable changes’ is ill-defined (Charlton, 2011; Gerrard, 2011). Similarly, Tan and Rae (2009) suggest more stringent safety requirements (e.g. strict fire door requirements) may reduce scope for innovation within the firm (e.g. stifling unusual accommodation options such as huts or buses).

Micro-firms –herein defined as firms with 0-9 employees (BIS, 2016; DTI, 2001)– and other smaller firms are required to comply with the vast majority, if not all, of the regulations that apply to larger firms. There is a considerable literature on the financial burden of complying with regulation, which is generally found to disproportionately affect smaller-firms, as the cost of compliance remains partially fixed and so the cost as a proportion of revenue increases considerably for smaller firms (Carter *et al.*, 2003; Edwards *et al.*, 2003; Lewis *et al.*, 2015a). For example, Collard and Godwin (1999) found firms with 1-4 employees spend up to £288 per-employee per-year on regulatory administration, compared to firms with 5000+ employees who spend only £5 per-employee per-year. Similarly, the OECD (2001) found firms with 1-19 employees spend up to five times more on regulatory costs than firms with 50-500 employees.

For small firms Edwards *et al.* (2003) suggests this ‘burden’ consists of many facets, which they categorise as being either direct or indirect in nature. ‘Direct costs’, are identified as the increases in required expenditure (which do not all vary in relation to the size of the business), such as an increase in wage costs following an increase to the statutory minimum wage or the purchase of specialised equipment which regulation deems necessary. ‘Indirect effects’, are the wider non-pecuniary impacts, such as greater formalisation of business processes and increased time spent on regulatory administration. Lewis *et al.* (2015a) build on such a taxonomy by offering a categorisation based on the different stages involved in small-firm compliance, where each stage includes both direct and indirect elements: first, the cost of researching and understanding regulation; second, the cost of implementing and abiding by regulation (such as the purchase of specialised equipment or undertaking training); and finally, the cost of demonstrating compliance (most likely through reporting and paperwork).

Such categorisations highlight the extent to which regulations require firms to make costly adjustments. Indeed, it has been suggested that regulation can be considered to govern the majority of processes and decisions within a smaller business (Lynch-Wood and Williamson, 2014). This is particularly important in the severely resource limited environment of micro-firms, where funds are limited and owner-managers are involved in all aspects of the business, including ensuring compliance. Since owner-managers usually confront limited time and many responsibilities, compliance can only happen to the detriment of other areas of the business, thereby exacerbating the previously reported ‘firefighting mentality’ and general managerial approach of owner-managers (Falta and Gallery, 2011). It also likely contributes to the loss of the informal, family-feel of a small business, as formalisation of business practices is required to ensure and demonstrate regulatory compliance (Edwards *et al.*, 2003).

To date the main focus of research on regulation, particularly that considering smaller firms, has been to investigate this burden (BRE, 2010; Chittenden *et al.*, 2002; Kuratko *et al.*, 1999). There are various reasons for this attention, one of which may simply be that owner-managers, when surveyed or interviewed, tend “*towards the negative when spontaneously describing regulations*” (IpsosMORI, 2007, p.3) because they naturally find it easier to identify negative aspects and impacts of regulation. Furthermore, while regulatory changes often incur direct costs on the firm, they rarely convey direct and obvious benefits (financial or otherwise) to the firm as most benefits accrue to others, such as employees or customers.

Yet potential benefits to the firm do exist, and may include: a stimulus towards innovation and modernisation; improved networking (even if only to seek support to understand the regulation); and the legitimisation of existing practices (such as flexible working, which the informality of micro-firms frequently already provides); along with ensuring a level playing field in the market (*Chapter 4 of this thesis*; Edwards *et al.*, 2003; IpsosMORI, 2007; Ram *et al.*, 2001). Such benefits are difficult to quantify which is perhaps why they have generally been overlooked thus far.

## ***2.2 Attitude and Regulatory Compliance***

In addition to the extent of burden, a number of other factors have been identified which help determine the levels of regulatory compliance for firms in general, and to a lesser extent, for smaller firms in particular (Boustras *et al.*, 2015; Nielsen and Parker, 2012; Thomas *et al.*, 2016). A key influence on small firm compliance levels is an owner-managers' general attitude towards regulation, which has multiple potential means of influence. It has been found to impact the way regulation is treated within small firms, including the relative importance placed on maintaining regulatory compliance and the methods of implementation (Edwards *et al.*, 2003; Edwards *et al.*, 2004; Hart *et al.*, 2008; IpsosMORI, 2007). Whilst such conclusions have only been found in small firms to date, it seems likely that this also applies to micro-firms given that owner-managers are even more important in that context. Furthermore, *Chapter 3 of this thesis* found that attitude also impacts the willingness of micro-firm owner-managers to engage in on-going learning about regulation, which is likely to boost compliance levels for any given level of effort.

Mendoza *et al.* (2016) explore the notion of 'fairness' in regards to compliance and regulatory knowledge levels in firms of all sizes, which clearly has close links to attitude. Fairness is found to be influenced by several factors, such as: whether the procedures required by the regulation lead to the desired outcomes; how easy the desired outcomes are to achieve; whether the reasoning for the regulation is adequately explained in a sufficient and timely manner; whether the regulation is seen as an intrusion on common sense; and perhaps most importantly, whether the cost of compliance is reasonable<sup>2</sup>. In this regard

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<sup>2</sup> This notion of fairness when combined with existing findings on the regressive nature of regulatory 'burden', could be taken to suggest regulation is inherently unfair on small and micro-firms, and might therefore explain the preponderance in the literature for negative rhetoric when dealing with regulation.

Lewis *et al.* (2015a) note that in SMEs (including micro-firms) a distinction often exists between the objectives of regulation which a business owner might perceive as being reasonable, and their associated perceptions regarding the unreasonable level of costs and complexities that are created by complying. *Chapter 4 of this thesis* expands on this when considering micro-firm performance by utilising a dual notion of attitude towards regulation, consisting of both its Perceived-Value (the potential benefits) and its Perceived-Burden (the costs and complexities). They note that by including separate measures for positive and negative attitudes, they achieve a better overall understanding of the complex issues around, and feelings towards, regulation.

One area of the compliance literature that is relatively well developed for smaller firms concerns the impact of a sense of duty. Hasle *et al.* (2012) found the owner-managers of firms with up to 50 employees, actually wanted to comply with ‘reasonable standards’, noting they hold a ‘family feel’ towards their employees and hence, a sense of the value of regulation from their employees’ point of view. This is probably a direct result of the close personal relationships that are likely to exist between owner-managers and workers in smaller firms, as these would allow the owner-manager to see what is a burden to them is also a benefit to their employee, thereby engendering a sense of personal obligation. For example, the ‘burden’ of maternity leave might be somewhat mitigated by the act of granting it to an employee who is also a close friend (*Chapter 4 of this thesis*; IpsosMORI, 2007). BEIS (2016b) report similar results in SME firms with employees, with 91% of their respondents identifying “*it’s simply important to do the right thing / comply with the law*”, while only 76% claimed “*avoiding sanctions due to non-compliance*” (p.21). Furthermore, Boustras *et al.* (2015) investigated the motives for providing a safe work environment in micro-firm employers (thereby excluding firms with no employees) and found 56.2% reported “*I feel ethically obliged*”, emphasising the value of regulation, while only 37.6% emphasised the avoidance of burden, by identifying “*to avoid a fine*”.

As such it seems micro-firm owner-managers not only consider the burden of regulation, but also its wider value/purpose, and both of these likely impact their levels of compliance. We therefore specify:

*H1: Perceived-Burden of regulation reduces Perceived Own-Firm Compliance with regulation.*

*H2: Perceived-Value of regulation improves Perceived Own-Firm Compliance with regulation.*

### **2.3 Knowledge and Compliance**

Knowledge of regulation is essential to regulatory compliance, since without it compliance would be based purely on luck (i.e. unintentional compliance) (Thomas *et al.*, 2016). Indeed, Mendoza *et al.* (2016) suggest that knowledge deficits in SME employers are much more likely to cause non-compliance than any intentional behaviour. The issue is that regulation is complex so a basic level of understanding might not be sufficient to ensure compliance. For instance, a minimum wage instruction to pay no less than a certain amount per hour is easy to understand and implement, but the added complexity of benefits in kind and accommodation offsets (to name but a few) require extra effort to comprehend and implement (Lewis *et al.*, 2015b). Such complexity not only increases the effort required to understand and implement such regulations, but likely leads to unintentional non-compliance through partial ignorance (Mendoza *et al.*, 2016).

Knowledge is likely to be a particularly important issue for micro-firms as there is already considerable evidence that they generally have poor knowledge and understanding of regulation (Atkinson *et al.*, 2016; Carter *et al.*, 2009; Harris *et al.*, 2012; Sjögrén and Syrjä, 2015; Westrip, 1986). Of particular note given the industry considered herein is *Chapter 3 of this thesis*, which found poor levels of knowledge in micro-firm owner-managers in the accommodation industry.

Poor knowledge levels in micro-firms may be due, at least in part, to the fact that the acquisition of regulatory knowledge is not directly enforced, but is merely a voluntary act that can facilitate compliance (Mendoza *et al.*, 2016). While larger firms may employ specialists and legal teams, within smaller, and especially micro-firms, it appears it is the owner-manager who is uniquely responsible for almost all regulatory issues (Edwards *et al.*, 2003; Hart *et al.*, 2008; Kelliher and Reinl, 2009). Hart *et al.* (2008) find that 67% of small business owner-managers personally deal with new regulation, and 58% take personal responsibility for both training employees and making them aware of their own rights and responsibilities. Atkinson *et al.* (2016) and Nahrgang *et al.* (2011) conclude similar findings in small firms, and Boustras *et al.* (2015) does so for micro-firms.

Not only are micro-firm owner-managers required to spread their limited time across all areas of the business, but it seems they must also dedicate time to learning, understanding, and implementing a variety of different regulations. Acquiring and maintaining sufficient knowledge in all relevant areas is therefore going to be a particularly difficult challenge yet it is likely to be crucial for micro-firm regulatory compliance. As such we specify:

*H3: Perceived-Knowledge of regulation improves Perceived Own-Firm Compliance with regulation.*

#### **2.4 Self-Assessment, and the Assessment of Others**

Smaller firm owner-managers are among the least likely to seek outside help or engage in wider networks (Lynch-Wood and Williamson, 2014). Instead, they operate in isolation, often not realising the limited extent of their regulatory knowledge, and hence their likely poor level of compliance (Champoux and Brun, 2003). Lacking time and preferring to focus on ‘running the business’, they often rely on passive information, such as updates or bulletins from trade-associations. However, prior studies covering a number of different disciplines demonstrate that individuals are generally poor at assessing their own level of knowledge (Eva and Regehr, 2005, 2007, 2011; Gordon, 1991; Meeran *et al.*, 2016). Indeed, Sitzmann *et al.* (2010) found 56% of the studies they reviewed reported self-assessment to be inaccurate while a further 18% reported mixed results. In the context of micro-firm owner-managers *Chapter 3 of this thesis* found self-assessment to be a poor indicator of Actual-Knowledge, with trade-association engagement impacting only self-assessed (perceived) knowledge, rather than enhance what they actually know, thus engendering over-confidence in owner-managers. The suggestion was this might be due to a unidirectional form of radical learning (Salge and Vera, 2013), where knowledge flows in only one direction (from the source, such as a trade-association) and owner-managers have little opportunity for feedback or other methods of verifying their levels of understanding.

The importance of assessing knowledge levels also extends to the subjective assessment of others. Thomas *et al.* (2016) examined the fishing industry and found that perceptions of competitor compliance influenced personal efforts at regulatory compliance. Boustras *et al.* (2015) develop this idea further when considering health and safety compliance in micro-firms with employees, by suggesting that the perception of competitor regulatory compliance contributes to a ‘reference state’, which owner-managers draw upon when making their



compliance decisions. However, this concept is not explored empirically so it is unclear how important any such effect might be and hence we specify:

*H4: A positive reference state will improve Perceived Own-Firm Compliance with regulation.*

Furthermore, if individuals are inaccurate at gauging their own knowledge and ability, then they are even worse at gauging the same for others, and hence are likely to develop an inaccurate reference state. Generally referred to as the ‘better than average’ (BTA) effect, individuals are commonly found to believe themselves to be objectively ‘better’ than their peers across various settings (such as knowledge, capability, competency) despite lacking any evidence to suggest so (Brown, 2011; Krueger and Mueller, 2002; Meeran *et al.*, 2016; Moore and Small, 2007). Research into the BTA effect considers explanations and moderating effects (Brown, 2011), such as overestimation (in terms of actual levels of own knowledge and an inflated sense of position relative others) and miss-calibration (between actual and perceived levels of knowledge) (Moore and Healy, 2008). The impact of the BTA effect on decision-making has also been explored theoretically in a class-room setting, most notably finding negative consequences associated with overconfidence (Merkle and Weber, 2011).

Therefore, in line with Boustras *et al.*’s (2015) ‘reference state’, self-assessment and the BTA effect likely feed into each other, with over-estimated knowledge driving the impression that an individual is better than average. This in turn leads owner-managers to believe that they do not need to invest (so much) effort into their own compliance since they are already ahead of industry norms (Kruger, 1999). Indeed, irrespective of being ‘better than average’, Thomas *et al.* (2016) found that the perception of competitor compliance influences personal (i.e. own-firm) compliance, in line with the reference state, further demonstrating the need to understand both Own-Firm and Competitor perceived compliance. It seems likely that an understanding of this BTA effect will be important to improving regulatory compliance within micro-firms. We thus start by specifying that such a BTA effect likely exists in micro-firm regulatory compliance comparisons:

*H5: Average Perceived Own-Firm Compliance will be higher than average Perceived Competitor Compliance.*

Furthermore, inaccurate self-assessment and the BTA effect are likely to be mutually reinforcing, with over-estimated knowledge driving the impression that an individual is better than average, which in turn feeds an inflated sense of knowledge relative to other firms (Kruger, 1999). If competitors (i.e. all other firms in the same industry, operating in the same market) lack the same level of knowledge, they are unlikely to be able to comply as consistently and hence we specify:

*H6: Perceived-Knowledge of regulation reduces Perceived Competitor Compliance with regulation relative to one's own firm.*

Finally, having explored a dual-notion of attitude in Section 2.2, we now posit that perceptions of both the value and burden of regulation will contribute to a firm's perception of competitor compliance. Since it appears that owner-managers demonstrate a sense of duty and generally want to comply with 'reasonable standards' (BEIS, 2016b; Boustras *et al.*, 2015; Hasle *et al.*, 2012; IpsosMORI, 2007), it follows that we can expect to see the same relationship between Perceived-Value and Perceived Competitor Compliance as we do with Perceived Own-Firm Compliance: namely that the positive effect of value will prove a benefit towards compliance efforts (even in the face of negative effects, such as those hypothesised in H6). For example, an owner-manager may value regulation and assume that competitors do so as well (even if they do so to a lesser extent due to the BTA effect). We therefore similarly expect to observe the inverse relationship with Perceived-Burden, although here the BTA effect is likely heightened. If an owner-manager sees the burden caused by a regulation and thus, reduces their compliance efforts (as hypothesised in H1), then the BTA effect will exaggerate the effect of burden on competitor compliance (Brown, 2011; Kruger, 1999; Meeran *et al.*, 2016), such that the burden will cause competitors to comply even less.

As such we specify our final hypotheses:

*H7: Perceived-Value of regulation improves Perceived Competitor Compliance with regulation relative to the focal firm.*

*H8: Perceived-Burden of regulation reduces Perceived Competitor Compliance with regulation relative to the focal firm.*

### 3. Methodology

#### 3.1 Contextual Background

To explore these issues this study draws upon original survey data from the English holiday accommodation industry. This is a fitting case because it is highly regulated, with an estimated 21,000+ regulations in effect (Tourism Regulation Taskforce, 2012)<sup>3</sup>; almost 70% of businesses in the industry are micro-firms; it accounts for 9.5% of the UK workforce (Tourism Alliance, 2015); and it contributes 7.1% of UK GDP (Tourism Alliance, 2016). Furthermore, not only has there been little research into knowledge in a tourism context (Czernek, 2017; Shaw and Williams, 2009), but as a non-high-risk industry, there is considerably less prior research into compliance than in other, higher risk industries, such as construction or fishing (Hasle and Limborg, 2006; Hasle *et al.*, 2012; Thomas *et al.*, 2016). The focus remains on England, rather than the entire United Kingdom, because of regulatory differences between the devolved regions.

Within the industry, firms are categorised into two sub-sectors: serviced (i.e. bed and breakfasts, B&Bs); and non-serviced (i.e. caravan parks). This indicates both the level of service and the type of accommodation on offer. Furthermore, it impacts the regulations which are in place and thus, engenders different perceptions of regulation. We note that although the industry is not considered ‘high-risk’, there remain a number of relatively risky tasks within firms. For example, B&Bs likely serve food, so there are considerations over such things as using cooking equipment, while caravan parks likely involve more outdoor, physically laborious work with sharp (power) tools, such as landscaping and tree pruning<sup>4</sup>. Additionally, both sub-industries likely enact ‘do-it-yourself’ development of premises, and use potentially dangerous cleaning chemicals thereby illustrating that all industries include some risks.

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<sup>3</sup> For instance, with concerns over roadways, cabling, water and waste management (to name but a few), it could be argued that caravan parks are subject to almost all of the same regulations that affect a small town.

<sup>4</sup> Or indeed a recent fatal incident, when a transported caravan slipped off its jacks, crushing a park worker. This was ultimately found to be caused by poor health and safety training and therefore, poor compliance (BBC, 2015; BH&HPA, 2015).

### ***3.2 Survey Design and Sampling Frame***

Using several publicly available sources, including the AA, [bedandbreakfast.com](http://bedandbreakfast.com), BedPosts, the Caravan Club, the 'Little Green Book', Farm Stay UK, the Motorcaravanners Club, and UKParks.com, an independent database of 3,805 potential respondents was developed. Due to the focus of the study, the sampling frame was limited to firms operating in England with 0-9 employees. The owner-managers were contacted via post and/or email, addressed by name where known, otherwise 'to the owner', with several follow-up communications, also via post and/or email, over the six months from October 2014. This resulted in 706 valid responses and a highly respectable 19% response rate, given the subject of regulatory compliance (which many businesses might be unwilling to disclose) (Mendoza *et al.*, 2016) and the sampling frame (Saunders *et al.*, 2015). Furthermore, this represents a sufficient number of responses to undertake the statistical analyses herein (Green, 1991; Tabachnick and Fidell, 2007)

The survey, which is part of a wider research study exploring regulation and micro-firms (and thus, included questions which are not relevant to this study), focused on four areas of regulation: employment, anti-discrimination, fire, and health and safety; these were chosen as they apply not only within the industry, but impact almost all firms that either employ people or allow access to the public. In light of the different sub-sectors, respondents were only asked about regulatory areas relevant to their business, so for example, only those who identified having employees were asked to complete questions regarding employment regulation.

The survey was first pilot tested by a relevant subset of potential respondents. The main industry associations were also approached with a draft to check the questions and also to secure endorsements with the aim of enhancing the response rate. A small number of changes were made in the wake of feedback from both sources. The final survey was endorsed by the Bed and Breakfast Association, the British Hospitality Association, and Farm Stay UK, whom all also sent details of the survey to their members. Additionally, VisitEngland, the national tourist board, endorsed the study and published details in their email and print communications. Furthermore, three groups: BedPosts, the National Caravan Council, and the Tourism Society, published details of the survey to their members without a formal endorsement.

### 3.3 Analytical Approaches

We deploy several techniques to test the hypotheses developed in Section 2. First, H5 is examined using summary statistics. Then the remaining hypotheses (H1-H4 and H6-H8) are explored using an appropriate array of summary statistics, bivariate correlations, and two formal regression models, which are described below. Table 2 presents the results for Perceived Own-Firm Compliance, and Table 3 for Perceived Competitor Compliance. Through the construction of the dependent variables, the underlying ordinal data become interval results at the scale level, which tend towards normality due to the central limit theorem (Carifio and Perla, 2008; Dougherty, 2011; Gaito, 1980; Norman, 2010). Thus, they are continuous and scalar, with higher values clearly indicating higher levels of Perceived Compliance, and therefore the OLS estimation technique is both appropriate and utilised. All of our analyses are estimated in Stata v13, first by including the control variables: Perceived-Knowledge; Reference state; Perceived-Value; and Perceived-Burden of regulation.

Firstly, the model for Perceived Own-Firm Compliance:

*Perceived Own-Firm regulatory Compliance*

$$\begin{aligned} &= B_0 + B_1 \text{ Number of employees} + B_2 \text{ Years in business} \\ &+ B_3 \text{ Serviced accommodation} + B_4 \text{ Trade-association memberships} \\ &+ B_5 \text{ All areas of regulation included} \\ &+ B_6 \text{ Perceived-Knowledge of regulation} + B_7 \text{ Reference state} \\ &+ B_8 \text{ Perceived-Value of regulation} \\ &+ B_9 \text{ Perceived-Burden of regulation} + \varepsilon_i \end{aligned}$$

Secondly, the model for Perceived Competitor Compliance, which is different only in that it does not include the reference state variable (because the reference state and Perceived Competitor Compliance are so closely linked):

### *Perceived Competitor regulatory Compliance*

$$\begin{aligned} &= B_0 + B_1 \text{ Number of employees} + B_2 \text{ Years in business} \\ &+ B_3 \text{ Serviced accommodation} + B_4 \text{ Trade-association memberships} \\ &+ B_5 \text{ All areas of regulation included} \\ &+ B_6 \text{ Perceived-Knowledge of regulation} \\ &+ B_7 \text{ Perceived-Value of regulation} \\ &+ B_8 \text{ Perceived-Burden of regulation} + \varepsilon_i \end{aligned}$$

In addition, the survey included an unsolicited comments box, in which 197 comments were made. In lieu of interviews, which were not possible at the time, these comments have been analysed using a constant-comparison thematic analysis (Krueger and Casey, 2009). The comments and emergent themes are used to inform our primary quantitative analysis, particularly with regard to causation. The results are presented in Table 5 at the end of the results section, and then integrated into the discussion in Section 5.

### **3.4 Variable Construction and Data Validation**

The variables used in the model are briefly described below, with full definitions and specification presented in Appendix A. Dependent variables *Perceived Own-Firm Compliance* and *Perceived Competitor Compliance* are both construct variables. These are based on a number of statements across each of the included regulations (employment, anti-discrimination, fire, and health and safety) scored against 1-7 Likert scales, which are then aggregated to develop a construct from the mean value. Independent variables *Perceived-Value of regulation*, *Perceived-Burden of regulation*, and *Reference state* are similarly constructed. *Perceived-Knowledge of regulation* is the self-reported level of knowledge measured as a construct variable which has been converted into an overall percentage. Further categorical control variables include: *number of employees*, containing four categories denoting the number of workers within the firm including the owner-manager; *years in business*, denoting newer firms (up to 10 years), along with older firms; and *serviced accommodation*, which denotes the sub-industry as either serviced or non-serviced, while also implying the regulations which are imposed on the firm and the trade-associations to which they may be a member. *Trade-association memberships* provides the raw number of

memberships, indicating the level of engagement with trade-associations and the potential level of support received. Finally, *all areas of regulation included* accounts for any bias caused by respondents not answering all four areas of regulation. As with any econometric method, there is always an inherent risk of omitted variable bias (Hosman *et al.*, 2010). We therefore used the literature review to suggest the variables that may demonstrate a relationship with the dependent constructs, along with other commonly used confounders (such as region and gender) (Clarke, 2005; Mitra and Washington, 2012). We then followed the advice of Breiman (1992) and Clarke (2005), whom recommend using fewer variables for more accurate models, and so we included only the variables of particular interest.

Items for each of the construct variables were presented as a larger set of questions in the survey and were tested using Principle Component Analysis, which highlighted our selected five constructs as viable (Hair *et al.*, 2010; Spector, 1992). Cronbach's alpha was then calculated to test for convergent validity and for each of the five constructs was found to exceed the accepted minimum of 0.7 (DeVellis, 2012). The risk of common method bias through the use of a singular survey (Podsakoff *et al.*, 2011), was mitigated by comparing survey responses to independently sourced data on several variables (such as revenue, and number of pitches), including from firm's own websites, Companies House, and trade publications. This validation was made for 14% of respondents (the maximum possible) and no evidence of bias or misreporting was found. Furthermore, the subject of the study, namely the perceptions of the owner-manager within a firm, combined with the fact that there is generally only one owner-manager (and on average just one employee) in each firm, makes it impossible to survey multiple respondents per firm. Face validity and subjective assessment validity (Hair, 1998; Hair *et al.*, 2010) were satisfied through the use of existing methods of measurement where possible, such as Stokols *et al.* (2001) and Eva *et al.* (2004) for Perceived-Knowledge; and the pilot study (which ensured the understanding of questions and answers matched our expectations, Rong and Wilkinson, 2011). In addition, the survey was structured specifically to reduce the risk of respondents linking different concepts. Finally, all respondents were assured of both anonymity and confidentiality to elicit truthful responses and aid response rate (Nielsen and Parker, 2012).

## 4. Results and Discussion

### 4.1 Descriptive Statistics

Table 1 presents the mean, standard deviation and correlations for all of the variables included in the study. It is clear from the first two rows that H5 is supported as the relatively high mean of Own-Firm Compliance (6.04) is markedly greater than the mean for Perceived Competitor Compliance (3.60) which is relatively low. It is however, interesting to note that there is only a small negative correlation between the two (-0.17) which is in contrast to the larger positive relationship found by Thomas *et al.* (2016). Furthermore, this disparity in means is likely an example of the BTA effect in action, which therefore also potentially questions the importance of Boustras *et al.*'s (2015) notion of the 'reference state' in this context. Own-Firm compliance is seen to be high even though the general perception is that competitors do not comply to the same extent.

The relatively low mean (63.30%) of Perceived-Knowledge indicates that self-assessed knowledge is generally poor, although the standard deviation suggests there is a reasonable amount of variation around this mean. A response close to 60% corresponds to the notion that the average firm reported that they were 'somewhat knowledgeable' about regulation, which is the mid-level response between 'not at all knowledgeable' and 'extremely knowledgeable'. It is also noteworthy that Perceived Own-Firm Compliance is comparatively higher (as a percentage it equates to 86%), indicating that respondents felt they complied to a greater extent than their Perceived-Knowledge level would suggest was possible. Furthermore, the fact that respondents were willing to frequently disclose such low (self-assessed) scores suggests that respondents were unlikely being dishonest or deliberately answering in a socially desirable manner when completing the survey (Mendoza *et al.*, 2016). Additionally, the two-dimensional Perceived-Value and Burden variables expand on Mendoza *et al.*'s (2016) one-dimensional fairness variable, with Perceived-Knowledge showing a positive correlation with Perceived-Value and a negative correlation with Perceived Burden as expected.

The high means (and low standard deviations) for both Perceived Own-Firm Compliance and Perceived-Value, and to a lesser extent, the lower mean (and similar standard deviation) attributed to Perceived-Burden suggests that intentional non-compliance is low. Deliberately ignoring the law would be associated with lower mean values for Perceived Own-Firm Compliance, and theoretically also low Perceived-Value and high levels of Burden.



Furthermore, the relatively low level of mean Perceived-Knowledge also suggests that knowledge is not being used to intentionally circumvent regulation, or give the external appearance of complying (when deliberately not doing so) through selective implementation (Carter *et al.*, 2009; Pratten and Lovatt, 2005). For example, claiming employees work fewer hours than they actually do in order to disguise paying below the minimum wage.

#### ***4.2 Perceived Own-Firm Compliance***

Table 2 presents the regression model for Perceived Own-Firm regulatory Compliance, with an initial estimation (model 1) including only control variables, and the independent variables then added in the second estimation (model 2).

Table 1: Descriptive statistics

|  | Mean  | SD    | 1      | 2      | 3      | 4      | 5      | 6     | 7      | 8     | 9     | 10 |
|--|-------|-------|--------|--------|--------|--------|--------|-------|--------|-------|-------|----|
| 1. Perceived Own-Firm regulatory Compliance <sup>s</sup>   | 6.04  | 0.75  | -      |        |        |        |        |       |        |       |       |    |
| 2. Perceived Competitor regulatory Compliance <sup>s</sup> | 3.60  | 0.85  | -0.17* | -      |        |        |        |       |        |       |       |    |
| 3. Perceived-Knowledge <sup>p</sup>                        | 63.30 | 16.40 | 0.24*  | -0.26* | -      |        |        |       |        |       |       |    |
| 4. Reference state <sup>s</sup>                            | 4.20  | 1.09  | 0.02   | 0.30*  | -0.01  | -      |        |       |        |       |       |    |
| 5. Perceived-Value of regulation <sup>s</sup>              | 5.34  | 0.80  | 0.31*  | -0.17* | 0.30*  | -0.02  | -      |       |        |       |       |    |
| 6. Perceived-Burden of regulation <sup>s</sup>             | 3.81  | 1.15  | -0.10* | -0.12* | -0.19* | -0.12* | -0.48* | -     |        |       |       |    |
| 7. Number of employees <sup>c</sup>                        | 2.23  | 0.96  | 0.07   | -0.09* | 0.01   | -0.02  | 0.04   | -0.03 | -      |       |       |    |
| 8. Years in business <sup>d</sup>                          | 0.59  | 0.49  | -0.09* | -0.01  | 0.03   | 0.00   | -0.10* | 0.12* | -0.607 | -     |       |    |
| 9. Serviced accommodation <sup>d</sup>                     | 0.39  | 0.49  | 0.05   | -0.10* | 0.16*  | -0.07  | 0.08*  | 0.01  | -0.18* | -0.02 | -     |    |
| 10. Trade-association memberships                          | 1.78  | 1.10  | 0.01   | -0.14* | 0.14*  | -0.04  | 0.13*  | -0.01 | 0.15*  | 0.00  | 0.13* | -  |

\* $p < .05$ . Measurement notes:  $s = 1-7$  scale,  $p = \text{percentage}$ ,  $c = 4\text{-category dummy}$ ,  $d = 0/1$  dummy, variable 10 is the raw number

**Table 2: OLS regression.**  
**Dependent variable: Perceived Own-Firm Regulatory Compliance**

| Independent variables            | (1)               | (2)               |
|----------------------------------|-------------------|-------------------|
| Intercept                        | 5.94***<br>(0.12) | 4.29***<br>(0.38) |
| Number of employees              | 0.08*<br>(0.04)   | 0.09**<br>(0.04)  |
| Years in business                | -0.13**<br>(0.07) | -0.10<br>(0.07)   |
| Serviced accommodation           | 0.08<br>(0.08)    | 0.05<br>(0.08)    |
| Trade-association memberships    | -0.01<br>(0.03)   | -0.04<br>(0.03)   |
| All areas of regulation included | 0.06<br>(0.09)    | -0.01<br>(0.08)   |
| Perceived-Knowledge              |                   | 0.01***<br>(0.00) |
| Reference state                  |                   | 0.04<br>(0.03)    |
| Perceived-Value                  |                   | 0.24***<br>(0.05) |
| Perceived-Burden                 |                   | 0.02<br>(0.04)    |
| Adjusted R <sup>2</sup>          | 0.01              | 0.12              |
| F (5, 414)                       | 1.92*             |                   |
| F (9, 407)                       |                   | 7.22***           |

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.001$ . Note: Standard Error in parentheses.

The model provides strong support for H2, that Perceived-Value is positively associated with Own-Firm Compliance, with a highly significant, positive result (see Table 4 for a summary of the hypotheses). There is however, no support for H1, that Burden is negatively associated

with Own-Firm Compliance. Though there were a number of reasons to believe Burden would influence compliance, this result indicates that respondents felt they complied with regulation no matter the apparent costs (time or monetary). It therefore seems that regulatory burden is simply treated as being a ‘cost of doing business’ rather than anything more. Indeed, while owner-managers may complain about it (Edwards *et al.*, 2003; IpsosMORI, 2007), they probably have little option but to accept the costs due to the penalties associated with non-compliance. Furthermore, this result is not entirely unexpected, as *Chapter 4 of this thesis* also found Burden to be insignificant in a model of broadly defined micro-firm performance, when Value was found to have a strong association. That both models have found differing results for Value and Burden highlights the benefit of adopting this two-dimensional characterisation of the attitude towards regulation. Furthermore, it is noteworthy that in both cases Value has been found to exhibit an association whilst Burden has not.

The results also offer weak support, for H3, as the positive relationship between Perceived-Knowledge and Own-Firm Compliance is statistically significant, but at 0.01 the coefficient is very close to zero suggesting a very small association. This stands somewhat in contrast to extant literature that implies the relationship should be stronger (Thomas *et al.*, 2016). The poor mean level of Perceived-Knowledge in the sample (63.30) might offer a partial explanation for this finding, although the large standard deviation (16.40) suggests any such impact is likely to be limited. However, this low level of Perceived-Knowledge stands in contrast to the mean of Perceived Own-Firm Compliance (Table 1) which is relatively high (6.04 relative to a maximum of 7, or 86%). It therefore raises the possibility of owner-managers exhibiting pervasive hubris since they freely admit that their knowledge is relatively poor yet believe their compliance to be so much higher in spite of the implied knowledge deficit.

The unsolicited comments (Table 4) offer a possible explanation for these findings. The comments suggest that respondents feel regulation is generally designed to make them ‘do the right thing’ having been created with ‘good intentions’, and therefore if they do what they think is ‘right’ (as in ‘just’ or ‘fair’, rather than correct according to the regulation) then they will likely comply with regulation by default. For instance, respondent 2142 said “*I understand that I should comply with the law and take reasonable effort to do so, however I rely more on treating customers as I would like to be treated and I believe this works!*” (Table 5, ‘regulatory value’). Such an approach to compliance by micro-firm owner-

managers may explain why Perceived-Knowledge appears to have such a tiny impact on Own-Firm Compliance (Table 2). While it would appear obvious that firms must know about a regulation if they are to comply, it would actually seem that the Perceived-Value associated with regulation is acting like a substitute as it was found to have a stronger association (coefficient 0.24). This sense of value might be enhancing the moral obligation for owner-managers to do the right thing, and hence, be associated with actions that engender a sense of compliance.

H4 is not supported as Boustras *et al*'s (2015) concept of the 'reference state' does not have a statistically significant impact on perceived own-firm compliance. This is somewhat surprising, but might simply reflect the nature of the chosen industry and/or our survey sample rather than suggest the concept is fundamentally wrong. With a median of 2 employees, the majority of our sample are likely to be family-run firms (i.e. a couple) which therefore has little outside influence. Micro-firm owner-managers are well known to avoid seeking expert help from outside the business and are also poor at wider networking (Bennett and Robson, 1999a, b), which suggests that they might concentrate on their own situation when considering their compliance, rather than the actions of their competitors, much of which might be unknown to them. As respondent 3484 put it, "*how do you judge what other competitors offer unless you have first-hand knowledge of their buildings and practice?*" (Table 5, 'competitor compliance'). Furthermore, the idea of the reference state is a broad concept which might include not just the perceived compliance of rivals (as explored herein), but also other factors such as likelihood of regulatory inspections and possible penalties for non-compliance. The latter concepts were not possible to explore in our case which might explain why the reference state was found to be insignificant.

Larger firms (i.e. those with more employees) appear to claim higher levels of compliance, which may be due to firms becoming more professional in regards to regulation as they grow. It remains unlikely that 'larger' micro-firms are large enough to employ dedicated workers to manage regulation, especially in our sample given the mean number of employees is only 2.23 (with a standard deviation of 0.96). It might however, be that owner-managers simply have more time to devote to matters of regulation when they have more employees to take care of other tasks, and/or that the simple act of growing in size forces greater professionalism in regards to regulation because of the need to accurately carry out tasks like processing payroll.

Finally, the number of years in business is only statistically significant in the initial estimation (when it is negative) but not the final model, indicating that more established firms do not have a lower level of compliance. The other control variables are insignificant in both versions of the model.

#### ***4.3 Perceived Competitor Compliance***

Table 3 presents the regression model for Perceived Competitor Compliance, with (as before) an initial estimate including only the control variables and the second estimation adding the independent variables.

**Table 3: OLS regression.**  
**Dependent variable: Perceived Competitor Regulatory Compliance**

| Independent variables            | (1)                | (2)                |
|----------------------------------|--------------------|--------------------|
| Intercept                        | -4.06***<br>(0.12) | 1.64***<br>(0.41)  |
| Number of employees              | -0.08*<br>(0.04)   | -0.08**<br>(0.04)  |
| Years in business                | -0.05<br>(0.08)    | -0.04<br>(0.07)    |
| Serviced accommodation           | -0.12<br>(0.09)    | -0.06<br>(0.08)    |
| Trade-association memberships    | -0.02<br>(0.04)    | 0.00<br>(0.03)     |
| All areas of regulation included | -0.15<br>(0.09)    | -0.10<br>(0.03)    |
| Perceived-Knowledge              |                    | -0.01***<br>(0.00) |
| Perceived-Value                  |                    | -0.24***<br>(0.06) |
| Perceived-Burden                 |                    | -0.16***<br>(0.04) |
| Adjusted R <sup>2</sup>          | 0.02               | 0.12               |
| F (5, 411)                       | 2.62**             |                    |
| F (8, 407)                       |                    | 7.73***            |

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.001$ . Note: Standard Error in parentheses.

Unlike the models for Own-Firm Compliance (Table 2), the Perceived-Value of regulation has a statistically significant but negative association with Competitor Compliance, providing no support for H7 (indeed, quite the opposite). Similarly, Perceived-Burden demonstrates a statistically significant and negative association, supporting H8. This further highlights the benefits of the two-factor approach of the variables, as both demonstrate

different effects for Own-Firm and Competitor Compliance. Similarly, Perceived-Knowledge has a statistically significant but negative association, but as with Own-Firm compliance, the coefficient is very close to zero (-0.01) suggesting a very limited impact. As such we suggest that H6 is only weakly supported.

It is quite striking how poorly respondents believe their competitors comply with regulation (Table 1), especially as they believe their own compliance extends beyond their knowledge. This dichotomy suggests respondents have a particularly low opinion of their competitors and their industry. It is likely that the better than average effect is playing a significant role here.

The Perceived-Value of regulation is found to have a negative association with Perceived Competitor Compliance which suggests that owner-managers believe that other firms do not recognise the value in regulation that they themselves do, and hence, that other owner-managers are therefore not as compliant. This plus the similar result for the negative impact of the Perceived-Burden suggests a general view that competitors shirk their regulatory responsibilities in light of the ‘burdens’, while they themselves do not. This may be influenced by the negative rhetoric surrounding regulation. If all people do is complain about regulation, then it would be difficult to believe that they actually see the value in it, let alone value it more than they see it as a burden. This also links with the finding for knowledge, which has a similar, albeit considerably smaller, negative link. As firms learn more about regulation (or at least think they do), they believe other firms will comply even less (furthering the view of being ‘better than average’), potentially with the idea that *“I have just learned X is required but I don’t believe other firms are doing this”*.

The models for Own-Firm and Competitor Compliance hold a further interesting parallel, in that the number of employees has almost the same statistically significant co-efficient, but operating in opposite directions. This suggests that respondents believed that as competing firms grow larger their regulatory compliance falls, despite believing the opposite effect within their own firms. None of the remaining control variables are significant.



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**Table 4: Summary of hypotheses**

|    |   |                  |
|----|---|------------------|
| H1 | Perceived-Burden of regulation reduces Perceived Own-Firm Compliance with regulation.                                 | Not supported    |
| H2 | Perceived-Value of regulation improves Perceived Own-Firm Compliance with regulation.                                 | Supported        |
| H3 | Perceived-Knowledge of regulation improves Perceived Own-Firm Compliance with regulation.                             | Weakly Supported |
| H4 | A positive reference state will improve Perceived Own-Firm Compliance with regulation.                                | Not supported    |
| H5 | Average Perceived Own-Firm Compliance will be higher than average Perceived Competitor Compliance.                    | Supported        |
| H6 | Perceived-Knowledge of regulation reduces Perceived Competitor Compliance with regulation relative to one's own firm. | Weakly Supported |
| H7 | Perceived-Value of regulation improves Perceived Competitor Compliance with regulation relative to the focal firm.    | Not supported    |
| H8 | Perceived-Burden of regulation reduces Perceived Competitor Compliance with regulation relative to the focal firm.    | Supported        |

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**Table 5: Thematic review of unsolicited comments**

| Theme                 | Number of mentions | Illustrative comments  |
|-----------------------|--------------------|--|
| Sharing economy       | 13                 | <p><i>The most important issue for small hospitality businesses is, in my opinion, unfair competition from "businesses" that are potentially unregulated as they trade using non-standard methods such as Airbnb (2176).</i></p> <p><i>I know that many small businesses (i.e. earning only about £20,00pa [sic]) are thinking of giving up providing accommodation because of the worries about either accidentally not complying with the numerous regulations or because complying with the regulations is becoming too onerous. Because of the rise of various non-regulated sites where people can let accommodation while not complying with the regulations one begins to lose heart (4056).</i></p> <p><i>I feel that Airbnb have unfair advantages over small guest houses as they do not have to comply with legislation that small guest houses have to (4362).</i></p> <p><i>Accommodation ventures like Airbnb ... undermine our businesses which comply with regulations and they undercut prices which are reasonable when a business is being run professionally (4360).</i></p> |
| Competitor compliance | 10                 | <p><i>How do you judge what other competitors offer unless you have first-hand knowledge of their buildings and practice? (3484).</i></p> <p><i>How could we possibly know if we are more compliant than our competitors (2149).</i></p>   |
| Firm size             | 72                 | <p><i>Our business is not only micro, it's miniscule! (1910).</i></p> <p><i>We are a 2-room bed &amp; breakfast so pretty small on the scale! (2008).</i></p> <p><i>I am a micro-micro business with a very small turnover of less than £4000 (5890).</i></p>  |
| Knowledge and burden  | 87                 | <p><i>Regulations have a disproportionate impact on small businesses. Compliance sometimes has a very disruptive impact if you do the right thing e.g. maternity leave. We have no specialist resources to cover such things and nobody seems to appreciate that running a small business is like living in a turret with different types of regulator attacking from all sides (53).</i></p> <p><i>Feel many regulations designed across the board and do not always 'fit' to small business without incurring costs. Reduced my staff due to PAYE rules &amp; regulations which meant more time on computer &amp; away from hands on work (1963).</i></p> <p><i>The current situation is that there is so much legislation it is impossible to know &amp; comply with all the regulations. Even specialist lawyers do not profess to know all the legislation in their specific fields and then refer to further 'specialists' (1570).</i></p>   |
| Regulatory value      | 18                 | <p><i>Good practice in my bed &amp; breakfast is followed as a matter of routine (1878).</i></p> <p><i>I understand that I should comply with the law and take reasonable effort to do so, however I rely more on treating customers as I would like to be treated and I believe this works! (2142).</i></p> <p><i>We do comply, as far as we are aware, with regulations associated with our business (6254).</i></p>   |

Note: respondent ID in parentheses. Only themes relevant to this study are included here. The question stem read "is there anything else you would like to tell us about any of the issues raised in this survey?"

#### 4.4. Wider Discussion

The dummy variable for those respondents not answering for all four areas of regulation was notably insignificant in both models. This not only offers further evidence that the methods and approach adopted herein are appropriate, but also suggests all four areas of regulation are of equal importance to perceived compliance. If any one area of regulation were more or less important relative to the other areas than this would have been picked up by the inclusion of this dummy, as firms excluding such a (more or less important) area would have been identified as having different relationships. This result of equal importance therefore questions the findings of the likes of Edwards *et al.* (2003) and Hart *et al.* (2008) who suggested that certain regulations might be particularly highly valued or prioritised (and therefore potentially more thoroughly implemented).

It is of interest that trade-association membership appears to have no statistically significant impact on either Own-Firm or Competitor Compliance, despite the links that might be expected as trade-associations act as both conduits of regulatory information and potential networking sources to better inform owner-managers' opinions regarding competitors (Battisti and Perry, 2015; BRE, 2010; Pleasance and Balmer, 2013). The results suggest that trade-associations are not currently particularly effective at facilitating regulatory compliance for firms individually, or a perception of high levels of industry compliance more generally. This is in line with *Chapter 3 of this thesis*, which found trade-associations to have no impact on actual knowledge levels within micro-firms.

Similarly, the sub-sector appears to have no impact on Own-Firm or Competitor Compliance as it was insignificant in both models. This is somewhat surprising given the growth of sharing economy firms such as Airbnb, which from a consumer point of view appear to operate in the same market space as serviced accommodation (such as B&Bs) but not in some forms of non-serviced accommodation (such as caravan parks). It seems likely that respondents regard such sharing economy firms as belonging to a different industry that offers a competitive product, rather than being in the same industry, although the presence of such products is clearly of concern to respondents. Indeed, there was a pervasive opinion in the survey comments (Table 5, 'sharing economy') that sharing economy hosts enjoy an unfair competitive advantage by offering a substitute product, but without the same regulatory 'burden'. For example: respondent 2176 said "*the most important issue for small hospitality businesses is, in my opinion, unfair competition from 'businesses' that are*

*potentially unregulated as they trade using non-standard methods such as Airbnb*”; while respondent 4362 adds *“I feel that Airbnb have unfair advantages over small guest houses as they do not have to comply with legislation that small guest houses have to”*.

Such concerns are reflective of there currently being much confusion over the regulatory requirements of sharing economy hosts, both within that industry and also amongst regulatory inspectors (who uphold regulatory law) (Frenken and Schor, 2017; Guttentag, 2017; Steinmetz, 2014; Tham, 2016). To address such concerns greater effort is firstly required to define and understand the regulatory requirements of hosts. These must then be communicated to both them and traditional serviced firms, so that the differences are clear and hosts are not seen as ‘unfair competition’ who inappropriately get to bypass regulation. Furthermore, given the results found herein, it would seem there would be much to be gained by making sure those working in the sharing economy have a good understanding of the value of the regulations that could apply to the sector as this might enhance their (voluntary) compliance levels<sup>5</sup>.

Given that compliance is not seen to be perfect, and the apparent drivers for Competitor Compliance operate in stark contrast with those for Own-Firm Compliance, there is a question as to how to address the issues raised so that compliance efforts might be improved. Mendoza *et al.* (2016) pose a simple solution: perceived fairness of regulation leads to greater knowledge acquisition, which in turn leads to improved regulatory compliance. However, our results suggest improving knowledge and, to a greater extent, Perceived-Value may improve Perceived Own-Firm Compliance, but at the cost of Perceived Competitor Compliance.

One of the issues seems to be that the appropriate and complete information on regulatory requirements is either not reaching, or not being absorbed by, micro-firm owner-managers. *Chapter 3 of this thesis* suggests that trade-associations are the most likely candidate to offer support to micro-firms, even though they found current trade-association support efforts to be somewhat ineffective, simply because there was a lack of viable alternatives. A similar lack of choice would seem to exist in terms of stimulating industry compliance efforts and

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<sup>5</sup> While a full consideration of the sharing economy is beyond the scope of this paper, the fact that the dummy for sub-sector was insignificant suggests that regulations need not be exactly the same for substitute products since staying in a caravan park or a B&B are substitutes that are subject to differing regulations. However, if some basic regulations are implemented with good intentions to (for example) make sure employees and consumers are both safe and treated fairly, it does suggest that sharing economy firms should be subject to at least the same basic regulations as micro-firms operating in the regular accommodation sector.

hence we would likewise conclude that a trade-association campaign might be the best option available.

A trade-association (or other) campaign must include methods which provide feedback to owner-managers on their Perceived-Knowledge and compliance efforts, such that they can be sure their interpretation is correct, while also calibrating their self-assessed knowledge. This would likely also improve the calibration of assessing other firms, reducing the existing gap between Perceived Own-Firm and Competitor Compliance. Such training and feedback has also been shown to improve implementation directly (Boustras *et al.*, 2015; Fernández-Muñoz *et al.*, 2009). Additionally, it is important for the Value (and benefits) of regulation to be explicitly made clear, as owner-managers generally only focus on the Burden when assessing information about regulation (*Chapter 4 of this thesis*). At a higher level, Lewis *et al.* (2015b) note that knowledge is sought to ease the complexity of regulation, but that when such complexity is at a low level, no help is needed. It is important then, for the regulations themselves to be clear and simple, both in their aims and their implementation requirements. This would ease the work of industry associations as they would be merely passing on information, rather than reinterpreting and distributing it to firms.

Next, it is important that any scheme addresses the insular interactions of micro-firms. Bennett and Robson (1999a, b) (among others) note how micro-firms generally resist formal events, such as the training courses that trade-associations already provide. If ways can be found to encourage and facilitate attendance at compliance related events, then such activities will not only enhance owner-managers' knowledge, but also develop their networking with peers. By interacting more with other firms' owner-managers will be able to get a better sense of what other firms actually do and how they are implementing regulation. This would recalibrate their assessment of other firms' compliance and hence also address their likely unfounded sense of being 'better than average' (Moore and Small, 2007). In turn, this would not only improve Perceived Competitor Compliance (and hence potentially generate a positive reference state effect for their own compliance efforts) but would also mean that attempts to improve Knowledge and Value would not have such a profound negative impact on Perceived Competitor Compliance. Whilst detailed prescriptions of the way to achieve such higher attendance is beyond the scope of this paper, efforts might include looking at the frequency, timing, cost, location, and wider incentives offered for attending such events. Organisers would need to be mindful of the real and significant costs to micro-firms when owner-managers attend. Indeed, trade-associations

could instead look to more actively visit their members in order to offer direct advice and support, and in doing so, might use such visits as a way of engendering networking as other local members might be invited to attend (and who would then learn close to home in a real-world setting similar to their own). Furthermore, such onsite events could feature as case studies in industry publications/communications to spread the benefits even further. This would highlight that other firms do, in fact, value regulation and implement it as they should, thus further contributing to the recalibration of Perceived Competitor Compliance (Moore and Small, 2007). Indeed, any information about the compliance of others would likely work towards this goal, such as sharing the results of this study with the participants. However, we acknowledge that micro-firms are fiercely independent and hence that such a scheme might be initially resisted and thus difficult to start. Nevertheless, the possible benefits suggest that it would be worth finding solutions to such challenges.

## **5. Conclusion**

Using unique primary survey data from micro-firms, in a traditionally over-looked sector, we have found evidence that owner-managers of English accommodation firms have a generally poor level of regulatory knowledge, yet simultaneously believe their compliance with regulation exceeds their knowledge. Furthermore, their opinion of compliance by their competitors in the industry (broadly defined) is exceedingly poor. Additionally, we have further demonstrated the benefits of exploring both the Perceived-Value and Burden of regulation, which offers a more nuanced view than one-dimensional scales, such as ‘fairness’ (Mendoza *et al.*, 2016), or the traditional approach of exploring regulation only through its burden. This study has demonstrated that Perceived-Value is the strongest driver (of the factors we have considered) of Own-Firm Compliance, while Burden appears to be treated simply as the cost of doing business, which is perhaps complained about but accepted nonetheless. Surprisingly, Perceived-Knowledge was found to have a limited impact on both perceived own-firm and competitor compliance. Perhaps most interestingly, our analysis has identified a paradox by suggesting attempts to improve Own-Firm Compliance, through improvements to Knowledge and enhancements to Perceived-Value, will likely be detrimental to Perceived Competitor Compliance. This is problematic as improvements in Perceived Competitor Compliance might create a beneficial reference state that increases

Own-Firm compliance efforts, and hence, general improvements in industry compliance levels.

We suggest that in the absence of alternatives, trade-associations are best placed to support micro-firms with issues around regulatory compliance. However, any efforts by them (or other organisations) will likely need to develop fresh approaches to engage micro-firms, perhaps by taking support closer to firms, more strongly highlighting the value of regulation, and by encouraging better networking amongst firms.

In drawing these conclusions, it should be recognised that a key limiting factor of this paper is the reliance on owner-managers' perceived levels of regulatory compliance. However, such a limitation is necessary for a study that identifies such owner-manager perceptions as a key driver of organisational behaviour. Any concerns in this regard could be mitigated by a future examination or independent review of actual practices within firms to ascertain how strongly such perceptions influence decision-making, and also the genuine level of regulatory compliance within a firm. Such research could follow the pattern laid out by Boustras *et al.* (2015), who visited firms during regulatory inspections, but do so with reference to more areas of regulation than just health and safety. This would additionally create the possibility of collecting data on the impact of having inspections or enforcement action (by including firms subject to their first visit and those inspected previously).

Other potential areas for further study include a deeper exploration of the notion of the reference state, including not only perceived levels of industry compliance but also other elements such as enforcement and penalties for non-compliance. A further natural extension would be to conduct a longitudinal study to not only consider measures to boost compliance efforts but also to examine the causal link that theory suggests might exist between Perceived-Knowledge and both Value and Burden. Any such relationship is likely to be both complex and somewhat cyclic, with owner-managers either learning about regulation and in doing so, forming opinions about its value and burden, or first forming opinions on value and burden with little foundation which then drive the desire to learn more about the regulation. Additionally, our recommendations of more localised support from trade-associations would be more likely to be successful if such endeavours were planned after a thorough exploration of why owner-managers have such a low opinion of their competitors' and hence general industry's regulatory compliance. Finally, future research should explore the sharing economy, particularly in regards to regulators (to ascertain what regulations

actually apply to hosts), and the hosts themselves (to establish their level of perceived and actual regulatory compliance). This would address the contentious suggestion of unfair competition and the results may placate traditional accommodation firms.

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## Appendix A: Survey items and variable construction

| Variable  | Construction  |
|---|---|
| Perceived Own-Firm regulatory Compliance<br><br>(dependent)   | <p>Construct variable created using the following item measured on a 1-7 Likert scale (strongly disagree to strongly agree) for each of the (up to) four areas of regulation (employment, anti-discrimination, fire, and health and safety). The mean of the scores is calculated as the construct variable:</p> <p style="padding-left: 40px;"><i>i) I do not knowingly breach [each] regulation</i></p> <p>Note this statement was presented for each included regulation (employment, anti-discrimination, fire, and health and safety), with the name of the regulation in place of [each]. Cronbach's alpha = 0.74. Skew = -0.86. Kurtosis = 0.88.</p> <p>This variable, developed using Spector's (1992) guidelines, reduces the ambiguity caused by (potentially) poor knowledge or understanding of regulation, by specifying only intentional breaches. As with the perceived level of knowledge variable (see below), this is a subjective, self-assessed measurement, testing only what respondents believe their compliance level to be, rather than an objective assessment of what it actually is.</p>  |
| Perceived Competitor regulatory Compliance<br><br>(dependent) | <p>Construct variable created using the following item measured on a 1-7 Likert scale (strongly disagree to strongly agree) for each of the (up to) four areas of regulation. Scores were reverse coded to make it comparable with the Perceived Own-Firm Compliance variable and the mean of the scores is calculated as the construct variable:</p> <p style="padding-left: 40px;"><i>i) I think my firm is more compliant with [each] regulation than my competitors are</i></p> <p>Note this statement was presented for each included area of regulation, with the name of the regulation in place of [each]. Cronbach's alpha = 0.82. Skew = -0.75. Kurtosis = 1.66.</p> <p>This variable was developed using Spector's (1992) guidelines to ensure that the construct was well defined and matches the desired outcome. Like Perceived-Knowledge, this construct is purely subjective. In a survey setting, there is little opportunity to provide the feedback that would be required to calibrate respondents' views. However, the statement is worded such that estimates are generalised, rather than being directly compared to Own-Firm Compliance levels, or requiring respondents to denote relative percentiles of Own-Firm and Competitor Compliance levels (Brown, 2011; Meeran <i>et al.</i>, 2016; Merkle and Weber, 2011).</p> |
| Perceived-Knowledge<br><br>(independent)                      | <p>Construct variable of self-reported knowledge using the following item measured on a 1-5 Likert scale (not at all knowledgeable to extremely knowledgeable) for each of the (up to) four areas of regulation. These results were combined to generate a mean which was then converted to an overall percentage:</p> <p style="padding-left: 40px;"><i>i) How knowledgeable are you about [each] regulation</i></p> <p>Note this statement was presented for each included regulation, with the name of the regulation in place of [each]. Cronbach's alpha = 0.79. Skew = -0.21. Kurtosis = -0.57.</p> <p>This variable is based upon prior literature including Stokols <i>et al.</i> (2001) and Eva <i>et al.</i> (2004), who both employ similar measures to test self-assessments of knowledge. Perceived-Knowledge is used here, rather than a test of Actual-Knowledge because opinions of value, burden, and compliance level are based on what owner-managers think they know, rather than their actual knowledge, which is likely different.</p>  |

|  |   |
|--|---|
| Reference state<br>(independent)                   | <p>Construct variable created using the following item measured on a 1-7 Likert scale (strongly disagree to strongly agree) for each of the (up to) four areas of regulation. Scores were reverse coded to make it comparable with the Perceived Own-Firm Compliance and Perceived Competitor Compliance variables. The mean of the scores is calculated as the construct variable:</p> <p><i>i) I understand it is common in my industry for [each] regulation to be ignored</i></p> <p>Note this statement was presented for each included regulation, with the name of the regulation in place of [each]. Cronbach's alpha = 0.81. Skew = 0.35. Kurtosis = 0.63.</p> <p>Although similar in nature to Perceived Competitor Compliance, and developed to Spector's (1992) guidelines, this variable measures the respondent's overall opinion of compliance within the industry, thus defining their 'reference state' from which personal compliance decisions are made (Boustras <i>et al.</i>, 2015).</p>  |
| Perceived-Value<br>of regulation<br>(independent)  | <p>Construct variable created using the following items measured on a 1-7 Likert scale (strongly disagree to strongly agree) for each of the (up to) four areas of regulation. The mean of the scores is calculated as the construct variable:</p> <p><i>i) I understand why [each] regulations exist</i><br/> <i>ii) [Each] regulations should apply to all businesses</i><br/> <i>iii) I believe [each] regulations are good for business</i><br/> <i>iv) [Each] regulations are a sensible control on firms</i></p> <p>Note each statement was presented for each included regulation, with the name of the regulation in place of [each]. Cronbach's alpha = 0.90. Skew = -0.66. Kurtosis = 1.27.</p> <p>This variable, along with Perceived-Burden of regulation, was devised to explore the ambivalence that owner-managers may feel towards regulation. Creating variables for value and burden (below) allows for both feelings to simultaneously co-exist. These variables extend the majority of extant literature which either focuses purely on the burden, or treats value/burden (and similar constructs such as fair/unfair) as singular scales where only one or other exists. The individual items listed above (i-iv) were partly developed based on the work of Edwards <i>et al</i> (2003) and IpsosMORI (2007), using Spector's (1992) guidelines.</p> |
| Perceived-Burden<br>of regulation<br>(independent) | <p>Construct variable created using the following items measured on a 1-7 Likert scale (strongly disagree to strongly agree) for each of the (up to) four areas of regulation. The mean of the scores is calculated as the construct variable:</p> <p><i>i) Small businesses, such as my own, should be exempt from the full force of [each] regulation</i><br/> <i>ii) The protections afforded by [each] regulations are an unreasonable burden on my firm</i></p> <p>Note each statement was presented for each included regulation, with the name of the regulation in place of [each]. Cronbach's alpha = 0.83. Skew = -0.07. Kurtosis = 0.09.</p> <p>As with Perceived-Value, items were partly developed based on Edwards <i>et al</i> (2003) and IpsosMORI (2007), using Spector's (1992) guidelines.</p>   |
| Number of<br>employees<br>(control)                | <p>Categorical to indicate the number of workers in the firm, including the owner-manager.</p> <p><i>Category 1: 1 worker (i.e. the owner-manager alone).</i><br/> <i>Category 2: 2 workers (i.e. a couple or the owner-manager and one employee).</i><br/> <i>Category 3: 3-5 workers.</i><br/> <i>Category 4: 6-9 workers.</i></p> <p>This variable denotes the size of the firm and indicates the level of complexity within the firm.</p>   |

|                                  |  |
|----------------------------------|--|
| Years in business                | Categorical to indicate the number of years that the current owner-manager has operated the business.  |
| (control)                        | <p><i>Category 0: 1-10 years.</i></p> <p><i>Category 1: 11+ years.</i></p> <p>An owner-manager in category 1 may be more experienced with regulatory issues and changes (Carter et al, 2009), while an owner-manager in category 0 may indicate a firm in a different stage of its lifecycle, such as a new and expanding firm (Andersson et al, 2002). Furthermore, Lewis <i>et al</i> (2015a) found newer firms struggle with record keeping, which Arocena and Núñez (2010) attribute to inexperience.</p>  |
| Serviced accommodation           | Categorical to identify the sub-industry.  |
| (control)                        | <p><i>Category 1: serviced accommodation (such as B&amp;Bs).</i></p> <p><i>Category 0: non-serviced accommodation (such as caravan parks).</i></p> <p>The sub-industry denotes the level of service provided by the firm and designates differences relating to the type, extent, and enforcement of regulation for the firm, along with inferring to which trade-associations each firm may be a member.</p>  |
| Trade-association memberships    | The raw number of trade-association memberships, indicating the level of engagement with trade-associations and hence the potential level of support received.   |
| (control)                        | Trade-association memberships influence Perceived-Knowledge of regulation and in the absence of other support, trade-associations appear to be one of the best conduits for improving knowledge-of and compliance-with regulation (Betton et al, 2017b).   |
| All areas of regulation included | The values of the dependent and main independent variables are determined by the mean score of up to four areas of regulation. This categorical (0/1) variable distinguishes between respondents who answered for every area of regulation (cat 1) and those who did not answer at least one area (cat 0). It tests for any bias created by the different number of questions answered by the respondents, which was preferred to either forcing respondents to answer all areas, or treating scores at face value (such that someone scoring 15/15 is treated the same as someone scoring (15/20), as both would create significant bias. |
| (control)                        |  |

## **6. Thesis Discussion**

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### **6.1 Chapter introduction**

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While each of the three papers explores a specific aspect of the multi-faceted relationship between regulation and micro-firms, each area is interlinked and thus the study resolves with a connected set of findings, from which recommendations are made to address these issues. This chapter begins by presenting a summary of the results (Section 6.2), such that they are combined, rather than presented separately, and returns to the rationales set in the introduction chapter (Section 1.4). It then does the same for the contributions, posing the overarching recommendations/contributions in a consolidated and finalised form (such that the evolution of recommendations is replaced by a review which takes all three papers into account) (Section 6.3). Following this, the apparent limitations which have been identified throughout the study are presented along with the ways in which future research (either of a similar nature to this study or original studies in similar fields and contexts) could address these issues (Section 6.4). Finally, potential future directions for research are considered, including both ways to continue to further explore the data collected for this study (Section 6.5.1), as well as new potential research projects, many of which are likely to improve the analyses and recommendations herein, through greater understanding (Section 6.5.2). Indeed, the contentious domain of the sharing economy is given much consideration (Section 6.5.3).

### **6.2 Summary of papers and theoretical contributions**

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Over the course of the three papers, three distinct strands of contributions have been developed: one theoretical; one empirical; and the other practical policy recommendations. The theoretical contributions are borne out of the innovative approach of this study, which challenge the previous methods of typical research into micro-firms. The practical contributions, discussed in Section 6.3, represent direct (policy) recommendations, again borne out of the research, with the aim of improving knowledge, enhancing compliance, and enriching performance. Although tied to the specific contribution of each paper, all of the recommendations are clearly interlinked, as they complement and build on each other and

thus demonstrate the importance of the chosen focus areas of this study: knowledge; performance; and compliance.

In addition, the very existence of this study, with a successful survey and broad range of contributions, demonstrates that such research is indeed possible, in spite of all of the perceived difficulties that typically impede micro-firm research. Each individual paper and the methodological approach (Section 2), provide detail on the ways in which potential respondents were found and approached, along with the impact of trade-association endorsement. Therein they provide a template for future projects (several of which are presented in Section 6.5).

From the very beginning of the study and throughout each of the individual papers, the focus has been directly on micro-firms (or at least small firms where data is absent). In doing so, it has repeatedly identified how micro-firms are unique, even from other ‘small firms’, struggling with resource and skill shortfalls, along with an unparalleled owner-manager driven nature. Thus, it highlights the need to consider micro-firms separately from larger and even ‘larger-small firms’. As noted by Tilley (2000, p.33), they are not “*little big firms*” and this consideration should be made at all points of research. Difficulties surrounding definitions and collecting data are not a legitimate reason to treat firms with no or few employees the same as SMEs with 249 employees, as their internal structure, core ethos, and even method of measuring performance are markedly different. As the most likely to reveal the effects of regulation (Edwards *et al.*, 2003) and most abundant form of business (BEIS, 2016a), going forward, micro-firms should be given the consideration they truly deserve. Perhaps a shift in research to a ‘micro-first’ approach, rather than a widespread inclination towards SME and larger firms, would result in a policy shift, such that new regulations begin with micro-firms and must be adapted to larger firms, rather than the current approach in which micro-firms’ considerations are an afterthought (if they are thought of at all). Indeed, even when the UK Government specifically sought to reduce and rethink regulation (during the ‘Red Tape Challenge’, Cabinet Office, 2013), ‘Regulatory Impact Assessments’ (RIAs), which were part of the regulatory design process, frequently failed to properly evaluate the effects on micro-firms (despite this being a specific requirement of RIAs) (BCC, 2004; FSB, 2004; NAO, 2001).

The innovative methodology adopted in this study suggests a number of beneficial approaches for future research, while also offering an original contribution to the literature

and insights into existing confusion in prior findings. Beginning with Paper One, the Perceived- and Actual-Knowledge levels of owner-managers are explored and both are found to be poor. This demonstrates a pervasive level of hubris in knowingly operating with a shortfall of operational knowledge. Beyond this, the accuracy of self-assessment is also found to be poor, indicating that while owner-managers admit to some knowledge shortfall, they do not know the exact level of deficit. This self-assessment inaccuracy will likely hamper future efforts to improve knowledge because if owner-managers believe their knowledge to be ‘good enough’, they will not dedicate (sufficient) time towards learning. Similarly, it will interfere with the subject of learning, as any attempts will likely focus on the areas that owner-managers believe to be poor, at the expense of areas that are actually poor.

The antecedents of knowledge are also explored, with particular reference to the independent, insular nature of micro-firms. This highlights the pervasive negative bias in the way regulation is reported (both within and outside of academia), along with a common supposition that accountants are central sources of knowledge. It remains a distinct possibility that the use of accountants among micro-firms is over-reported, as it would seem they are untrained and incongruous to provide wider regulatory support. However, they do provide essential financial/accounting support, which cannot easily be feigned by untrained owner-managers. There is prior literature to suggest that trade-associations should fulfil this vital role and that micro-firms in general favour membership specifically for their advice and regulatory support roles, yet the results herein find empirically that this does not appear to be the case in the chosen context, and indeed, trade-associations appear to have a limited impact on regulatory compliance levels as well.

However, by exploring both Perceived- and Actual-Knowledge, this study has discovered that the antecedents of knowledge impact Perceived- and Actual-Knowledge in different ways. This not only has an impact on the practical recommendations (as each form of knowledge must be addressed differently, see Section 6.3), but highlights a potential error in existing research. The wide scale reliance on self-assessed measures may have masked the discoveries made here, such that trade-associations are associated with a limited improvement on Perceived-Knowledge and no association with Actual-Knowledge. This may be due to a false sense of security engendered by a constant influx of information, which owner-managers receive but do not actually read and/or digest. Such an influx of information may also create information overload, with owner-managers struggling to find the time to

process everything they receive and thus, contributing to the inescapable sense of overwhelming regulation. It is also possible that the information being received from different sources (be-it trade-associations or other sources) may be contradictory. This would not only add to the confusion and potentially lower Actual-Knowledge (as incorrect information is stored, but is believed to be correct), but may also result in owner-managers further disregarding additional information as it becomes available, because it is too frustrating to try to understand. In spite of this, due to the absence of credible alternatives, trade-associations remain likely candidates to address these issues of knowledge shortfall and self-assessment inaccuracy, and a number of recommendations to this effect are made in Section 6.3.

Building on these themes, Paper Three investigates how regulatory knowledge remains an important issue, as it influences regulatory compliance. Even in micro-firms where some of the informalities may coincide with regulatory matters (e.g. flexible working hours), ‘accidental’ or ‘coincidental’ compliance is rare and unlikely (even flexible working requires formal reporting, which micro-firms are unlikely to offer through informality). Like knowledge, compliance is likely affected by a number of factors, including perceived compliance (which, like self-assessed knowledge, may be unreliable) and the perceived compliance of rival firms. As Boustras *et al.* (2015) notes, if owner-managers believe that (for example) a particular regulation is widely ignored by other firms, and thus is not being enforced by regulators/inspectors, then personal compliance of that regulation may falter. This is the reference state from which compliance decisions are made. While Own-Firm and Competitor Compliance have been investigated in prior research, this has rarely been done concurrently, particularly in a micro-firm and tourism context. This study makes two distinct contributions here: firstly, the Perceived Own-Firm and Competitor (thereby inferring industry) Compliance levels are tested, demonstrating a wide disparity, with owner-managers believing Competitor Compliance to be particularly poor, while Own-Firm Compliance remains high. It therefore appears that owner-manager hubris extends beyond knowledge, as Own-Firm Compliance is believed to be considerably higher than Perceived-Knowledge. Secondly, that the policy avenues which could improve Own-Firm Compliance, have an equally strong negative link with Competitor Compliance; such that improving Own-Firm Compliance will likely increase the dichotomy between Perceived Own-Firm and Competitor Compliance. Thus, lowering the standard from which compliance decisions are

made. However, the results herein demonstrate no significant impact by the reference state, thereby suggesting this as an area for further research (see Section 6.5.2).

Additionally, attitude towards regulation is tested using a new, innovative two-dimensional measure which (discussed at greater length in Section 1.4.2) explores the positive and negative sides of attitude in parallel, rather than one at the expense of the other. By using this enhanced measure to ascertain the antecedents of Own-Firm and Competitor Compliance a particularly interesting insight is made, which is that there is no apparent link between Perceived-Burden and Perceived Own-Firm Compliance. This suggests that despite widescale negative reporting and strong negative rhetoric, regulation is still accepted and implemented, even in micro-firms. This also goes some way to explaining why micro-firms appear to have such ongoing difficulties with regulatory matters and why measures to rectify the situation thus far appear to have had limited effect. By identifying this contrast, there is now an opportunity to further explore this new avenue, leading to better theoretical and practical proposals. Additionally, it is the Value of regulation that demonstrates a greater impact on both Own-Firm and Competitor perceived levels of compliance, with Burden only associated with Competitor Compliance (where all variables demonstrate a negative relationship). This study also posits an impact from the sharing economy (at least on the serviced side of the sector), this is an area that warrants further exploration (see Section 6.5.3).

Indeed, the benefits of exploring Value and Burden are again apparent when investigating the impact of regulation on business performance. Performance is of particular interest for micro-firms for two reasons: firstly, because owner-managers do not rely on typical financial measures of performance, instead favouring satisfaction towards subjective goals (which may of course include some financial aspirations); and secondly, because of these wider goals, different business decisions are made, which prior research (focusing on the financial aspects) may not have discovered. To quote an example from Paper Two, if an owner-manager prizes social interaction with customers above all else, then they will make decisions (conscious or otherwise) which enable them to achieve that goal. That might be keeping the business small enough that they do not require staff so that they personally spend the maximum amount of time with customers rather than managing employees. Most of the existing research continues to focus on traditional financial measures of performance, despite prior evidence that such measures are not only out of step with owner-managers' intentions, but in many cases, are inappropriate for such small firms. Furthermore, direct



comparisons with larger (even larger small) firms are undermined because different performance measures are appropriate for each type of firm. As noted by Greenbank (2001), when judged purely on financial performance, many micro-firms would be deemed as failures, while the owner-managers of such firms would regard them as being successful because they achieve the goals they set out for, hence the need to use appropriate criteria when judging performance.

This study devises a metric of satisfaction towards a number of goals, which are themselves based on what little prior literature exists. This is not only more appropriate, but maintains a measurable level of comparability between firms, which is necessary for research. While future research may seek to refine the measure, the basic idea is an appropriate template which should be widely adopted. This study continues to investigate the Perceived-Value and Burden of regulation, such that it affects both financial and non-financial measures of performance. In doing so, it goes some way to explaining the existing confusion in the literature, where Burden is only negatively associated with financial performance. This can be attributed to the direct cost of implementing regulatory demands. However, the results herein found that Burden shows no link with non-financial measures of performance. Instead, it is Value which has a strong (positive) relationship with non-financial performance.

Moreover, the results herein suggest that the failure of prior research to reach consensus could be related to the way in which ‘attitude’ is operationalised, with prior, ‘burden focused’ measures demonstrating a negative impact, while the balance of ‘value’ is lost. If regulation is merely thought of as a burden, then the cost of implementation is directly attributed to the bottom-line. However, if regulation is perceived as having value, then that cost is thought of merely as the cost of doing business, therefore it is discounted before reaching the bottom-line. In effect, this study has corroborated and reconciled both strands of research, thus opening an area for future projects to research in greater depth.

Finally, having reviewed the results of the papers herein and their theoretical contributions, it is possible to return to the rationale originally set out for each paper in Section 1.4, and in particular, the goals which were laid out. Firstly, the thesis set out to address the general deficit in micro-firm research and to explore regulation in a micro-firm context, using original survey data. This has clearly been achieved as three papers have been generated, which each focus on micro-firms and a facet of regulation, using a survey developed

specifically for this purpose and this study. Secondly, the unique role of the owner-manager has been repeatedly highlighted throughout the papers, therein demonstrating how the opinions and perceptions of owner-managers are elevated to paramount importance within a micro-firm. Thirdly, each paper has contributed towards critically investigating common research assumptions. Paper One does this through an exploration of Perceived- and Actual-Knowledge; Paper Two investigates not only the measures of business performance, but also develops a more nuanced two-dimensional measure of Perceived-Value and Burden; Paper Three then builds on and extends the work of the prior papers to explore perceived levels of compliance. Lastly, the goal to adopt a balanced (i.e. not burden led) approach has been achieved through both the neutral enquiry of the study and the survey, but also through the development of the measures of Perceived-Value and Burden, which provide equal prominence to both the costs (which are widely reported in extant literature) and benefits (which are not) of regulation. Similarly, through this summary section, it is clear that each of the papers has achieved its individual goals, although what has yet to be discussed are the practical implications and recommendations based on these findings which are now considered in the following section.

### **6.3 Practical and policy recommendations**

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From a practical perspective, a set of recommendations have been developed, aimed at improving knowledge-of and compliance-with regulation, along with enhancing firm performance. Their development was only possible through the balanced and innovative approaches taken within the study, such that previously unexplored avenues and connections have been identified. Having been presented in isolation, the recommendations are now drawn together in this section. That is not to say that such efforts will be easy. Many of the ‘common’ approaches that might normally be suggested, such as training courses or similar group activities, are unlikely to be utilised due to the unique resource limitations of micro-firms (as many firms simply cannot afford the time or support staff to attend). Moreover, the fierce independence of owner-managers often makes them view such events as unwanted intrusions; merely those outside the business trying to interfere (a point also raised in the survey comments), which may also make onsite consultancy efforts challenging to implement. Indeed, some unorthodox and innovative solutions may be required to overcome the time constraints, such as online meetings, or even the use of virtual reality (an area of

further research, discussed in Section 6.5.2). Additionally, there is no way to mandate learning, so any efforts must remain voluntary, no matter how necessary they are.

It is of note that the results herein suggest improvements will not be straightforward. Actual-Knowledge is poor, but increasing the amount of information available (with no guarantee that extra or clearer information will be read and understood) is unlikely to have a lasting impact. However, combining increased information with the skills to improve self-assessment will help owner-managers to understand their shortcomings and thus, demonstrate to them the need to learn. This form of learning is paramount to many fields, such as medicine, where continuous self-assessment and learning is not only prized, but practitioners are specifically trained to accomplish. At present, this is largely not considered for micro-firms, but this study posits that it should be. Moreover, improving self-assessment skills would also allow owner-managers to better assess their compliance level with regulation, both through generally improved self-assessment skill and better Actual-Knowledge. Therefore, their compliance efforts are equally broader (as enhanced by greater knowledge) and more likely to be in line with regulation (through improved understanding). Furthermore, by emphasising the Value (such as through highlighting the benefits of regulation), owner-managers will be more inclined to investigate regulation and thus, maintain a higher level of knowledge and compliance. Indeed, by underscoring the Value, firm performance (measured through goal satisfaction) should also be enhanced, while at the same time reducing the pervasive negativity surrounding regulation.

However, improving these areas alone is not enough to improve knowledge, as there is already evidence that the current information available and the methods of communicating it to micro-firms are insufficient. As Paper One notes at length, while trade-associations so far appear to only impact Perceived-Knowledge, in the absence of credible alternatives, they remain best suited to this approach. Owner-managers require short, clear, simple to understand guidelines and instructions, which are widely consistent (no matter the source). To achieve this, a cross-association campaign is recommended, in which one association is recommended to lead such a campaign, ensuring that a consistent message is delivered to all firms. In the tourism context explored herein, the Tourism Alliance, a ‘trade-association of trade-associations’, might be best positioned to take-on such a role. Furthermore, non-industry association support is also recommended, such that tourism trade-associations (the BBA and BH&HPA, for example) tailor guidance for industry concerns, while small business trade-associations (such as the Federation of Small Businesses) tailor guidance to

small (and therefore) micro-firms. However, the guidance itself must be more than a simple checklist as it should incorporate some form of feedback element so that it will assist with self-assessment calibration and help to ensure that owner-managers correctly interpret the information they are given. This could perhaps be achieved through tools such as quizzes, inducements to participate or, given owner-managers preference for person-to-person contact, follow up telephone calls with specialists from the trade-associations. Furthermore, such guidance should demonstrate and highlight the practices of other firms within the industry, thereby improving owner-managers' impressions of Competitor Compliance.

In addition, networking is not recommended for its own sake, but for the benefits it brings to several different aspects. At the trade-association level, networking aids the cross-association campaign and inter-context (tourism and small firm) cross-over. Beyond this, it is necessary to convene with micro-firms where they already seek information, which is not limited to trade-association publications. Many micro-firms rely on accountants (though the exact nature of their support is poorly understood). Therefore, the second point of networking is to disseminate the 'consistent message' through support firms, such as accountants. This could include the guidance itself, using accountants (and similar) as information conduits, thereby not putting additional pressures on accountants to broaden their personal support efforts (or exposure) which they would likely neither want nor relish. Additionally, accountants could be used as agents to promote trade-association membership, using the guidance as an example of the support available, while also highlighting the other numerous benefits that membership can bring (such as further support for business and marketing aims, and bulk purchasing). Accountants could also share (non-confidential) information about the compliance efforts of their other clients, again thereby improving owner-managers' impressions of Competitor Compliance.

The third level of networking is that which takes place between firms within the industry. Given the insular nature of micro-firms, this is again a difficult issue to mollify (which is likely why it is an issue to begin with) and may further require somewhat unorthodox and innovative solutions (an area of potential future research, which is discussed in Section 6.5.2). In addition to the points which have already been discussed, at which competitor compliance efforts could be communicated to owner-managers, if a workable solution is found to allow micro-firms to attend training or networking events, a component on compliance would also help to shape the opinions of industry compliance levels. This would offset the negative impact that existing remedies will have on Perceived Competitor

Compliance and thus, may create a beneficial reference state from which owner-managers make their compliance related decisions. Direct networking between micro-firms should also be encouraged, not only because they are well suited to support each other, but because this will again elevate the perceptions of competitor compliance. It will however, remain necessary to ensure that micro-firms are provided with clear, consistent guidance, so that the ‘wrong interpretation’ of one owner-manager does not permeate throughout a group of (networking) micro-firms.

In addition, further efforts are required to investigate the regulatory requirements and compliance levels of sharing economy firms. This would address the widespread perception of ‘hosts’ as ‘unfair competition’. An in-depth analysis of this issue and potential solutions remains outside the scope of this study, but they are identified as natural future research possibilities in Section 6.5.3.

## **6.4 Hindsight and resolving limitations**

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This thesis has successfully accomplished its goals, contributed to extant literature and generated three independent papers. However, it is fair to say that no piece of research is perfect and no amount of planning can account for the wealth of hindsight that develops throughout a study. It has already been noted (in Section 2.4.1) that the pilot for this study led to many changes in the survey that was ultimately used, particularly in regards to length. The final survey itself has generated several ideas to incorporate into future work. This ranges from the structural notion of incorporating wider questions to inform the Actual-Knowledge indicator, at the expense of focusing on fewer regulations; and broadening the exploration of self-assessed knowledge, perhaps more comparatively with other studies, such as asking what percentage respondents think they will score on the Actual-Knowledge test (as is popular in student self-assessment literature); to more nuanced changes. Several of unsolicited comments directly noted concern over the revenue bands in the survey. These were designed to allow for variation in results (and identify firms which do not match a criterion for micro-firms), while reducing the apprehension caused by demanding too much detail. The bands were chosen based on an analysis of the revenues found in the Business Population Estimates report (BEIS, 2016a; BIS, 2012). However, the lowest band of ‘up to £75,000’ appears to have irritated many respondents who felt their time had been wasted because their revenue was dramatically lower. Obviously, this should be addressed.

Conversely, there were very few negative comments regarding the operationalisation of the other financial performance measures, indicating that they were acceptable to respondents. However, they are rather simplistic in their current form and the analysis of financial performance would be enhanced by a more detailed measure, such as providing a greater number of smaller revenue bands, requesting exact revenue changes for multiple prior years, and recording profit as a percentage of revenue. Although, the reluctance of micro-firms to provide detailed financial information, must still be considered when developing the indicators. Additionally, greater emphasis could be given to the sources of regulatory knowledge and support, thereby exploring the roles of trade-associations and accountants. Furthermore, a block of questions on social desirability were included, with the intention of exploring social desirability bias in the responses (given the informal character of owner-managers and the nature of the survey). However, these questions were frequently skipped with many vitriolic comments noting the 'personal intrusion' and the dichotomy between 'business' and 'personal' questions in the survey. Such questions either need to be redeveloped or simply removed from future work. Ultimately, there remains a delicate balance between including more areas of interest (such as the role of accountants), along with requesting more detailed information (such as exact revenue), and the likelihood of a survey actually been completed by respondents. This study has presented a number of changes which will be considered for any future work.

Beyond changes to the survey, perhaps the principle limitation is the sole reliance on single-point survey data. While there is a growing trend for multi-point survey collection in research, the micro-firm target of this study makes that all but impossible. Of the respondent firms, 21.5% consisted of only the owner-manager, while another 30.5% had only one further worker; and given the context and the unsolicited comments, the majority of these were likely couples rather than employer-employee relationships. Collecting multiple surveys per firm is thus futile, however a series of interviews would have greatly bolstered the analysis. While interviews were considered for this study, time became a limiting factor and so the statistical analyses utilised the unsolicited comments to explore causality and respondent motivations. This may be imperfect, but the fact that this was possible (with unsolicited comments) not only justifies their use (as the thematic analysis matches the quantitative one so closely), but also hints at the possibility of rich interview data for a genuinely mixed-methods approach.

While a rich dataset of 706 responses was achieved, further development of the database and the addition of extra firms would aid the generalisability of the results. Indeed, VisitEngland (2016) estimate a total of 67,666 accommodation firms in England alone (though they decline to share the list). Additionally, the number of responses could have been broadened if wider trade-association support had been achieved. It is noteworthy that the association which provided both endorsement and direct access to members (Farm Stay UK) had the overall greatest response rate of 33.4%. That is not to say that efforts were not made; EASCO simply ignored every communication, made through every medium (and their postal address is a PO box, otherwise an impromptu in-person visit would have been considered). The biggest disappointment and surprise (due to their prior support of research and initial enthusiasm) was the failure to secure an endorsement from the BH&HPA, which would have greatly improved the response rate from their members. This was largely due to a breakdown in communication (the notion of ‘testing actual knowledge’ was disapproved-of) and time constraints. It is hoped that having completed this study (and demonstrated the value of testing knowledge), future collaboration will be possible and such overtures will soon be made.

One area which could be viewed as a limitation is the restriction of the sample to firms within England. It has already been explained that this was deliberate to avoid confusion and complication between different regulations in the devolved UK regions. To address this, the chosen regulations, and thereby the questions included in the survey, could be drawn from areas which exhibit harmony across the devolved regions, thus reducing the complication. However, there would still be a risk, particularly with accompanying interviews, that differences in regulator attitude and enforcement would affect results. Unless exploring regional differences in a single study, it is likely that future work would benefit from a similar regional limitation, though England does not have to remain the focus. Indeed, comparative studies in other regions (devolved UK or broader) would not only explore these issues in other, well defined contexts, but would allow for the additional analysis of regional differences as a separate factor. For example, an exploration of one of the devolved UK regions, which could ascertain not only the regulatory differences and firm-level differences, but also the ability (and success) of the regions’ government in disseminating information to micro-firms.

## 6.5 Future directions for research

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### 6.5.1 Further exploration of existing data

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The study thus far has generated a number of interesting analyses from the available data, but that is not to say that the three papers herein comprise the sum total of the insights that the data presents. There are several potential avenues for further exploration of the data which has already been collected. Perhaps the most obvious future direction would be to explore the impact of Perceived Own-Firm and Competitor Compliance on performance. This was not attempted in Paper Two in part to allow the paper to thoroughly explore the issues around performance measurements and to dedicate adequate space to developing the goal based measures that were ultimately used. Given the wide range of issues, particularly relating to burden, it would be interesting to see how the existing results play out (such that Perceived-Burden has no impact on goals) and if Own-Firm Compliance follows this pattern. It would stand to reason that compliance efforts would present a financial cost (thus demonstrating an association with financial performance), however given the evidence that certain costs are discounted as ‘the cost of doing business’, the strongest association may be between compliance and goal satisfaction. Having already developed each of the measures of the primary variables, there would be a greater opportunity to explore their relationships, including via interaction effects, which have so far not been factored into the analysis (i.e. an interaction between Perceived-Burden and Own-Firm Compliance). Further to this, and particularly in relation to interaction effects, the measures of Perceived- and Actual-Knowledge could also be explored to allow for a broader overall analysis of each of the key variables included in the study thus far and the ways in which they interrelate. Such a paper would make an interesting companion to the work herein, and would be targeted for publication either in *Tourism Management* or the *Annals of Tourism Research*.

In a similar vein, the models utilised in Paper One could be expanded to replace the one-dimensional attitude variable with the holistic Perceived-Value and Burden variables which have demonstrated a more nuanced understanding of the issues at hand. Indeed, the relationship between the single and dual variables warrants further exploration in and of itself. A preliminary analysis suggests, somewhat unsurprisingly, that attitude positively correlates with Perceived-Value, while it negatively correlates with Burden; highlighting the limitations of a one-dimensional scale and the strength of Value over Burden. It would be interesting therefore to investigate the effect on the relationships that have been identified



thus far. Such an investigation would serve an interesting companion and expansion to the existing first paper, providing a better understanding of the impact of attitude on knowledge, while also further exploring the advantages of a two-dimensional variable. As a companion to the work herein, and given the focus on improved learning (both in and of itself and in relation to the Paper One) it might be targeted at an outlet such as the *Academy of Management, Learning and Education* journal.

At present, Perceived- and Actual-Knowledge levels are only explored at the overall level (i.e. by combining of the four areas of regulation) using summary statistics and bivariate correlations in Paper One. There is a further opportunity to explore the existing data in greater depth, which was not possible in Paper One due to the need to establish a base case, limitations of space, and the need to explore and define the variables. Currently there is almost no analysis of the individual areas of regulation, and while there are limitations to what is possible due to the number of questions for each area of regulation, a more in-depth exploration remains possible. This does not need to remain purely econometric as the results for each question (which are already given in Paper One) warrant further analysis. For example, the overall Actual-Knowledge score for Employment regulation is markedly lower than for the other areas. Given that only employers were presented with these questions, it is not simply the case that this block of questions is biased (as detailed in Paper One, the correlations between each area and the overall measure are consistent). Similarly, the question on fire service consistency was only answered correctly 43% of the time, despite this being both a contentious issue (which was frequently mentioned in the unsolicited comments, presumably by those who answered correctly) and one which partially led to the very creation of two trade-associations. This warrants a further exploration. Additionally, while direct comparisons between Perceived- and Actual-Knowledge scores remain difficult, due to the nature of their underlying respective scales, it remains possible to broaden the analysis through a number of means. It is common for similar studies to use percentiles to do this, such as Meeran *et al.* (2016). The existing measures for both Perceived- and Actual-Knowledge could be transformed into percentile rank order, thus allowing for a comparison between the percentile that each respondent's Perceived-Knowledge score put them in, against the percentile for their Actual-Knowledge score, thereby allowing for a more in-depth analysis of the forecasting error and perhaps, a better understanding of the relationship between forecasting error and trade-association impact.

Such a paper would be an interesting companion to Paper One and could therefore be targeted at the *British Journal of Management*.

As intimated in Section 1.3, the survey included questions to account for each of the ‘full’ micro-firm definition criteria (as part of the wider SME definition), namely the number of employees, turnover, balance sheet total, and autonomy. The papers herein have thus far only considered the most widely adopted definition of 0-9 employees (based on UK Governmental reports). Existing evidence notes both the difficulty in implementing the ‘full’ definition and the impact that doing so may have on analyses (Centre for Strategy and Evaluation Services, 2012). Having established the validity of the data collected for this study, along with developing the models used in each of the papers, the next step is to explore these analyses by using the existing models with subsets of respondents corresponding with each criteria of micro-firm definition, along with different employee headcounts. Doing so will produce a truly rare examination of the impact of micro-firm definition on econometric results and the resulting analyses. Thus, exploring the wider understanding of micro-firms at a time when EU regulations (and therefore legal definitions) are being reviewed and repatriated to the UK. This paper could be targeted at an outlet such as the *Entrepreneurship, Theory and Practice* journal, and it would be interesting to note if and how the existing analyses are impacted by each definitional criterion, along with the practical implications of such a review.

Each of the research ideas noted so far have focused on the rich dataset collected for this study, either extending the existing papers with greater detail and wider context, or using the existing papers to explore the wider issue of micro-firm definitions. There is also an opportunity to explore the methods of the study itself, most particularly in regards to data collection. There are a number of papers and books (such as Dillman *et al.*, 2008; Dillman *et al.*, 2014) which were used to inform this study at its earliest stages, that detail the methods and frequency of contact with prospective respondents. The database that was used as part of this study includes details on every communication sent-to and received-by every prospective respondent, whether they completed the survey or not. This presents the opportunity to assess which versions of letters and emails were most successful in resulting in survey responses, along with the relative time-of and time-between the messages (for example it may be possible to ascertain that “*chases sent X days after initial emails resulted in X% more responses*”). The content of each message could also be examined, such that “*the addition of another trade-association endorsement led to X% more responses*”, for

example. Furthermore, the medium of each message, such that postal surveys had a greater response rate but the number available was limited by the funds available for postage. While perhaps not the most exciting study, especially compared to the others detailed in this section, this would not only assist future researchers (in the way existing similar studies assisted this one), but would also help to inform the data collection of new research in this exact field, including the ideas noted in the next section. This would be targeted at a more methodologically inclined journal, such as the *Journal of Business Research*.

### **6.5.2 New research**

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It almost goes without saying that any new research in this field should take into account not only the approach that has been taken here (i.e. the balanced wording, not relying on self-assessment, and recognising micro-firm performance measures), but also the appropriate lessons which have been learned and detailed in Section 6.4 (relating to the method and improvements to the measures). Throughout the undertaking of this study, a number of areas for entirely new research projects have been conceived, which are discussed here in addition to the exploration of existing data detailed above. Indeed, it is likely that in completing the suggested work of Section 6.5.1, the following concepts will be reinforced, while further areas will become apparent as well.

One possible path for new research would rely on the practical recommendations herein (Section 6.3) being put into practice. This could be tracked from inception, through to exploring different avenues for cross-association support, the potential role of accountants, disseminating information, and ensuring it is appropriately comprehended by owner-managers, thus examining the validity and success of the recommendations and this study. Indeed, the research would likely begin with a more thorough exploration of the existing information which is available (such as government advice and trade-association publications), in order to ascertain how it can be improved. In addition, it would be possible to survey owner-managers at multiple points throughout the process, to provide a longitudinal assessment of the process. Such a project would require considerably greater co-operation from trade-associations, not only for access to the associations and their members, but also encourage them to undertake the recommendations in the first place.

A further suggestion for future research would be to rerun this existing study (making note of the evaluative changes identified in Section 6.4) in either another region (UK or otherwise) or in another industry. This would serve to broaden the knowledge gained by this

study, and both validate and expand its findings through duplicating its method elsewhere. The additional studies would both stand on their own right and allow for direct comparisons, thus further exploring the issues of regulation and micro-firms. Moreover, as recommended in Paper One, making the study longitudinal, through rerunning this survey (or devising a similar one) in the same industry, using the same respondents would allow for an exploration of the regulatory issues over time, such as the posited notion of Perceived- and Actual-Knowledge diverging over time, and the potential impact of the number of years of ownership. Such future repetitions of the study would need to update the questions used to test actual knowledge (for regulatory changes and to avoid the risk of repeated questions being pre-empted with specific research) and considerable effort would be required to ensure that the new questions are of equal standard, such that they remain comparable over time. Additionally, a longitudinal study would offer insight into other regulatory changes and initiatives (beyond those suggested here), similar to the existing Business Regulation Perception studies run by BEIS (and its equivalents over time), such as BEIS (2016b) and BIS (2014). Furthermore, reruns of the existing study could shift the focus to other areas of regulation (while maintaining comparability with existing questions) as a number of respondents to the survey expressed a wish to explore alternative regulations. In particular, food regulations were highlighted as a concern, although at the time of the survey, new regulations were coming into force (such as the need to proactively highlight allergens), which was seen as an undue burden on micro-firms who, for example, only offer a small number of breakfasts.

In addition to these variants of the existing study and exploring the recommendations herein, wider areas of research are also apparent. It has already been noted how causality is difficult to ascertain and that interviews with owner-managers could offer further insight. One area that would benefit from a dedicated approach, would be to thoroughly explore the causal links between knowledge with Perceived-Value and Burden. Indeed, it may be that these variables share a convoluted, non-linear, and cyclic relationship, such that a little knowledge (which may or not be accurate, instead shaped via media outlets and unconsciously informed by the negative reporting bias) leads to a poor attitude towards regulation (i.e. it is seen as a burden with limited benefits), which in turn reduces the desire to learn further, thus negatively impacting knowledge, which remains ill-informed and hence the cycle repeats. Alternatively, a positive attitude towards regulation may lead to a genuine desire to learn about regulation (and an understanding that knowledge is required to ensure compliance

efforts are valid), such knowledge then feeds the positive attitude, and thus, an alternative cycle. Furthermore, and apparent only if different regulatory areas are investigated, the relationship may be further muddled by different opinions about different regulations; such that one regulation boosts attitude (perhaps a crackdown on the sharing economy, in the context of B&Bs), while another decreases attitude (perhaps a further tightening of fire regulations requiring specific, expensive equipment). Through such a study, it would be possible to identify the best point at which to enter the attitude-knowledge cycle and apply methods to improve both.

Networking has already been found to enhance knowledge (Kitching, 2006), which has been factored into the recommendations herein. However, there is also considerable evidence that micro-firms do not value and participate in networking to the same extent as larger firms. Much of this appears to stem from an isolationist nature in owner-managers and a lack of resources (time and employee cover) to afford the opportunity. There is another potential (somewhat linked and complementary) study specifically into this area, not only into the potential learning benefits of networking and attending events (such as training courses) but also the impact on perceived levels of competitor (i.e. industry) compliance. Such a study would go beyond just speaking with owner-managers, to dealing with the those who set up such events (i.e. the training course arrangers and trade-associations) to try to find ways around the resource limitations that micro-firms face. Indeed, of all the possible studies detailed here, this one has the broadest potential for involving unorthodox methods and exploring innovative solutions, such as online teleconferencing or even virtual reality (thus allowing owner-managers to be somewhat present in both the session and at their business at the same time). The networking (and by extension, training effort) aspects are of particular importance as they influence knowledge directly (that being the point of training) and they impact upon the perceived level of compliance in the industry, which may create a beneficial reference state from which compliance decisions can be made and furthermore, as demonstrated in Paper Three, it appears that other efforts to improve knowledge are actually detrimental to Perceived Competitor Compliance, so direct efforts to improve the perception are required.

An additional research project could explore the somewhat unexpected finding of Paper Three regarding the lack of a relationship between the reference state and Own-Firm Compliance. As is posited in the paper, this may be due to the context of the industry or the sample. It also suggests that the reference state is a broader concept which incorporates wider

aspects, such as the likelihood of inspection and the possible penalties for non-compliance, rather than being purely Perceived Competitor Compliance driven, as it has been treated herein. Therefore, the opportunity remains for a more thorough exploration of this concept. Another potential research project would address a limitation of Paper Three while following the pattern laid out by (Boustras *et al.*, 2015), that of actual regulatory compliance. While it may be possible to ascertain this using a test similar to that for Actual-Knowledge, perhaps true/false questions are presented in the form “*I undertake [a specific behaviour]*” (and thus, ascertain if compliant actions are being taken within the firm); this would rely heavily on the truthfulness of the response (which is not to question the honesty of owner-managers, but simply notes the obvious limitation of the method). An alternative solution would be some form of independent examination of business practices to ascertain actual compliance. Following Boustras *et al.* (2015), this could take the form of an investigator attending regulatory compliance inspections with a licenced inspector. It would be imperative that the investigator was seen only as an observer, so micro-firms would need to be selected via the inspector, such that the research followed the inspection, rather than lead to the perception that a compliance inspection was only taking place because of the research.

There are several offshoots to this proposal as well. By involving inspectors, there would be an opportunity to discover an external and objective view on industry compliance, which could be compared to the internal owner-manager perception. Additionally, it would be possible to observe the actions of the inspector and their interactions with owner-managers (and any employees), such that another potential form of external support could be investigated. This can then be taken forward to visits with firms who are not being inspected, to ascertain the value of the owner-manager-inspector relationship. BRE (2010) notes that an unintended consequence of reducing widescale inspections, appeared to be the loss of an important information source, leading to lower compliance through ignorance. Such a consequence could be tested. Furthermore, the wider impacts of inspections and enforcement actions could be explored through the comparison of inspected and non-inspected firms, or indeed, regularly inspected and first-time inspected firms. It would also be possible, having attended inspections, that the investigator would somewhat acquire the experience to perform inspections on their own, such that they could visit a non-inspected firm and make a reasoned judgement on the compliance level, thereby broadening the potential number of firms included and offering a wider comparison between inspected and non-inspected firms. This project would carry a stronger qualitative factor than the others mentioned so far, with

a much greater emphasis on interviews with owner-managers and inspectors, although a quantitative aspect would be included as well. Beyond the geographic restrictions of the existing study, the proposed project would likely need to focus down even further, limiting to a select few local authorities, to ensure the appropriate level of access to inspectors and firms, while also allowing for comparisons to be made in order to ensure that discussions and recommendations were not being driven by the peculiarities of one authority or inspector. Indeed, support from local authorities and regulatory inspectors would be essential for such a study. This would also explore the popular contention that between regions and authorities, inspectors, particularly fire inspectors, apply their own interpretations of the regulations.

Following the more qualitative proposal detailed above, a further proposal would augment a widescale survey with a range of in-depth interviews, perhaps even case studies. Again, a further exploration of one of the issues discovered in this study and inspired by previous research, in this case Kitching (2006), there is an opportunity to more thoroughly explore the process by which owner-managers acquire knowledge and from this, how information about regulations is disseminated to firms. From the former perspective, that of firms, this would involve working with owner-managers to ascertain from where they get their regulatory knowledge (i.e. trade-associations and other sources), then how this is processed within the business and finally, how the regulatory requirements are implemented. One logical possibility, is this exploration would perhaps present a path such that regulatory knowledge is first noted via the media, perhaps then tempered by official guidance (if it should exist or become available), before being solidified via trade-association support, which is industry tailored and suitably simplified. However, without any data on which to base this, the pathway may in fact be quite different. From such an analysis, it would be possible to define the points of communication failure (i.e. a failure for government guidance to arrive in time or reach micro-firms at all), thereby allowing for recommendations to be made to rectify the situation. It would also highlight how owner-managers currently receive knowledge and what appears to work best for them (i.e. if they seek it out or rely on communications proactively sent to them). From the latter perspective, that of regulators and supporting firms (such as trade-associations and accountants) this would involve working with legislators, inspectors, trade-associations, and indeed, every noted potential source of information; in order to ascertain how guidance is devised and disseminated. This would involve tracking regulation (perhaps focusing on one new piece of regulation throughout its

development) from initial inception, through to legal commencement, where other organisations (e.g. trade-associations) review and develop their own guidance, then distribute it to their members. Again, this would highlight areas where communication between the different participants (throughout the process) breaks down (perhaps government guidance is unclear, leading to confusion when trade-associations tailor advice for their members). By identifying these issues, it will be possible to find ways to address them, thereby improving the knowledge of micro-firms (indeed, larger firms as well).

To complement such a project, a further study could address the earliest stages of regulatory development. There is already evidence from this study and prior literature that owner-managers widely feel regulators do not understand micro-firms and that regulations are written with larger firms in mind (BEIS, 2016b; BRE, 2010). As above, this requires a two-pronged approach. From the perspective of the regulators, this would begin with the inception of the regulation, where the very idea starts, and exploring why it is believed to be necessary and what it is hoped to achieve. Then following this as it develops, being passed between governmental departments and subject to consultation. The very methods of consultation (i.e. focus groups and email comments) and how the consultation is promoted, then how the results are integrated into the finalised regulatory framework. Indeed, this may be the most important point (discussed below). It would also be necessary to investigate support firms, such as trade-associations to explore at what point they get involved and what actions they undertake (i.e. lobby with regulators directly, form an overarching consultation response of their own, or promote the consultation for members to respond individually). As with the previously suggested project, this would highlight areas where communication breaks down and allow for remedies to be developed. From the perspective of micro-firms, this would involve exploring the level of firm involvement from an early stage and looking at how that involvement is brought about. Perhaps the media discusses proposed legislation, or a trade-association highlights a consultation in progress, which in turn leads owner-managers to voice their opinion. Furthermore, it would explore the ability of micro-firms to take part in the regulatory development process. It is already understood that owner-managers lack the resources to learn about regulations, so it stands to reason that they lack the resources to get involved in shaping them. Indeed, one of the role of trade-associations is to collectively lobby on behalf of smaller firms, given the likely limited impact that the voice of one micro-firm can be expected to have on the development of a regulation. This project may be able to identify how regulations seem to diverge away from the realities of



micro-firms. For example, if only a small handful of owner-managers are able to take part in a consultation, how much credence will their views be given in shaping a law which also affects much larger firms with their own lobbying abilities. Moreover, what role do trade-associations currently (and possibly) have in lobbying on behalf of their members and how can this be better strengthened. Given what this study has demonstrated about the Perceived-Value and Burden of regulation, such that the Value appears to outweigh the Burden, combined with the sheer number of micro-firms in the economy, it would seem that a ‘small first’ approach may in fact be better for all firms. If regulators do not appropriately engage micro-firms or if those attempts are not successful (which this project would explore and highlight) then it will not be possible to improve the situation, however this project could present an alternative which is better for all concerned.

### ***6.5.3 The sharing economy: a project in hand***

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One area of particular interest for future study is the burgeoning domain of the sharing economy. It has been noted at various points in this study that the accommodation industry is undergoing a shock due to the rise of the sharing economy, in this case, ‘hosts’ for firms such as Airbnb and HomeAway. From the perspective of consumers (i.e. guests), these hosts appear to offer a similar, if not identical, facility to those of ‘traditional’ accommodation firms (such as B&Bs). Yet, there is much confusion around the regulatory expectations of hosts. The focus of this research project would be on small B&Bs and self-catering accommodation providers, for they offer a directly comparable product/service (i.e. a small number of rooms, often in the owner-manager’s own home in the case of the former and a small number of (various) types of segregated accommodation in the latter)<sup>17</sup>. The issues surrounding sharing economy hosts (named as such herein, to distinguish them from traditional ‘firms’) are particularly contentious, both for the relevant trade-associations and for individual competitor firms. Indeed, as detailed in Section 2.5, the unsolicited comments box of the survey for this study drew 13 unsolicited comments which directly referred to the sharing economy and the ‘unfair competition’ it represents. Furthermore, having discovered the original study, one Airbnb host got in contact because they had been visited by a fire inspector who demanded considerable changes costing up to £30,000 in order to ensure compliance, thus they were considering closure. Meanwhile the BBA reported similar

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<sup>17</sup> Whereas, there is currently little evidence of a sharing economy equivalent to caravan parks, and certainly nothing on the same scale as firms such as Airbnb.

inspectors who simply refused to even visit similar hosts, viewing them to be exempt from regulation (BBA, 2014).

As a new field, there is limited, but rapidly growing research currently available. This proposal presents a unique opportunity to contribute to the field through an independent research project which is also comparable to the study presented herein. It would include the same assessment of Perceived- and Actual-Knowledge and crucially, the level of compliance. Such results would therefore be directly comparable with this study and thus offer an unprecedented view of knowledge and compliance levels between these very similar industries.

In order to broaden the results and address the contention of unfair competition, an exploration into the regulatory expectations of hosts could also be included. This would likely consist of interviews with regulators and inspectors, to gain an understanding of how they view firms and hosts, thereby ascertaining exactly the expected compliance level of hosts, along with the actual level of inspection. Further interviews could be made with the sharing economy firms themselves, to ascertain what regulations they believe their hosts should and do comply with. This would then cover the actual requirements, an area currently mired in confusion (although there is a risk that it would simply demonstrate, rather than resolve the confusion), while also investigating knowledge and compliance. Furthermore, it would present a direct comparison between traditional firms and hosts.

At this point, it should be noted that such an undertaking would be rather difficult, more-so than for this study, because it relies exclusively on support from the sharing economy firms to facilitate contact with their hosts. For the study herein, accommodation firms advertise themselves in various ways, which were used to build the database of potential respondents and contact them. Trade-association support and endorsement greatly aided these efforts, as has already been detailed, but direct access to firms remained irrespective of trade-association support. However, sharing economy firms act as brokers for their members, so it is impossible to contact individual hosts without using their proprietary contact methods. As solicitation is against many of these firms' terms and conditions of membership, and as contact is generally made through online forms, it is not possible to bypass sharing economy firms and contact hosts en-masse through either online or postal means.

Indeed, a pilot for this research project has already been undertaken. A modified version of the survey used herein was developed which does not include employment regulations but

does include tailoring to the sharing economy sector. This pilot survey was launched and endorsement was sought from many of the principle sharing economy firms (at the time), along with the newly established trade-association for sharing economy firms, Sharing Economy UK, but found limited success. While two firms (Compare and Share, whom have since ceased operations, and RoomLaLa) endorsed the study and sent details to their hosts, larger firms, including Airbnb and HomeAway did not. There are many potential reasons for this reluctance, which were highlighted during early discussions with Airbnb. Firstly, Airbnb appeared keen to distance themselves from a perception that their hosts operate outside of regulation (a claim common to many facets of the sharing economy) and thus, a study into regulatory knowledge and compliance was not one they wished to promote at the time. Secondly, the study herein and its relationship with traditional firms and trade-associations was deemed a potential conflict of interest, with a fear that a study associated with, for example, the Bed and Breakfast Association may not be objective. This greatly limited the available pool of hosts and a total of 83 responses were received of which only 23 were more than 80% complete. Furthermore, all but five respondents were referred by RoomLaLa (identified with a branded link) and several responses were deemed invalid as the respondents were either outside of the UK or because they were made by guests rather than hosts<sup>18</sup>. The few usable responses, combined with increasing time pressures, led to a focus solely on the original survey and study, as is presented herein. However, upon completion of this study, given the knowledge gained and the amount of time since the original survey was completed, it is possible that progress could be made by repositioning the sharing economy study as an original counterpoint, in no way affiliated with ‘traditional’ firms or their trade-associations. A revised survey could be developed, taking into account the hindsight of the original, with greater tailoring to the target hosts (now that there has been further research into them during the intervening time), while ensuring a high level of direct comparability to the original. Furthermore, the results and publications of the original study would serve to demonstrate the unbiased, thorough, and innovative approach, which would be extended to the new domain, thereby allaying the fears already laid out.

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<sup>18</sup> Indeed, several further respondents somehow appeared to mistake the endorsement of an independent survey for a RoomLaLa hosted survey seeking feedback on their services.

## 6.6 Chapter summary

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This chapter has brought together the analyses of the three papers and in doing so, listed the many theoretical and practical contributions which have been made. Returning to the rationale set out in Section 1.4, the papers, and indeed the entire thesis, have achieved their respective goals. Furthermore, the chapter included an evaluation of the methodology used in the study, which can be used to enhance any future work. Indeed, several potential papers are discussed using the existing data collected thus far, which expand upon and enhance the three papers herein; while several entirely original research projects are also identified and discussed. The next, final section of the thesis presents an overall conclusion to this research project.

## 7. Conclusion and Final Remarks

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Regulation is omnipresent, both in the way it controls businesses and affects almost all aspects of life (Silbey, 2013). While there has been much prior research work investigating regulation from a variety of perspectives, there is a pervasive negativity towards regulation, which extends from academia into the public domain. Such a view limits the understanding of the impact of regulation, in particular when considering micro-firms, which are generally under-researched despite their prominence in many industries. This thesis has undertaken a study which explores a wider assessment of regulation, including both its burden and benefits, using original survey data from an often-overlooked industry. In doing so, three independent papers have been developed, the results of which this thesis has brought together.

Ultimately, this study identifies that regulation and micro-firms share a complex set of relationships, with different aspects interacting with each other in various ways. It is not enough to say that regulation has a negative impact on business, or even that such ‘red-tape’ is a burden. Instead, this study has uncovered the need to carefully consider how concepts are operationalised, thereby challenging existing preconceptions (such as the ‘burden-centric’ approach to researching regulation and the inappropriate use of financial performance measures for micro-firms). Owner-managers have poor knowledge of regulation and prevailing attempts to improve this have found limited success, which this study notes is, in part, due to the complex and contrary relationship with between Perceived- and Actual-Knowledge, along with Perceived Own-Firm and Competitor Compliance. Moreover, while there are valid concerns about the burden of regulation, the strong negative rhetoric has an impact of lower magnitude than the (almost always overlooked) notion of value, which not only has a positive impact on the performance measure that matters for micro-firms, but also affects compliance efforts. This study has taken an innovative and challenging approach to researching a difficult to investigate subject in the problematic domains of regulation and micro-firms. In doing so, it has not only highlighted a number of conclusions, leading to recommendations for change and improvement, but also a number of potential future research projects. Furthermore, this study presents a template and starting point for future studies into regulation and, most importantly given the difficulties found in extant literature, research into micro-firms. Given their prominence in most industries and importance to the economy, such firms deserve greater recognition in research and policy.

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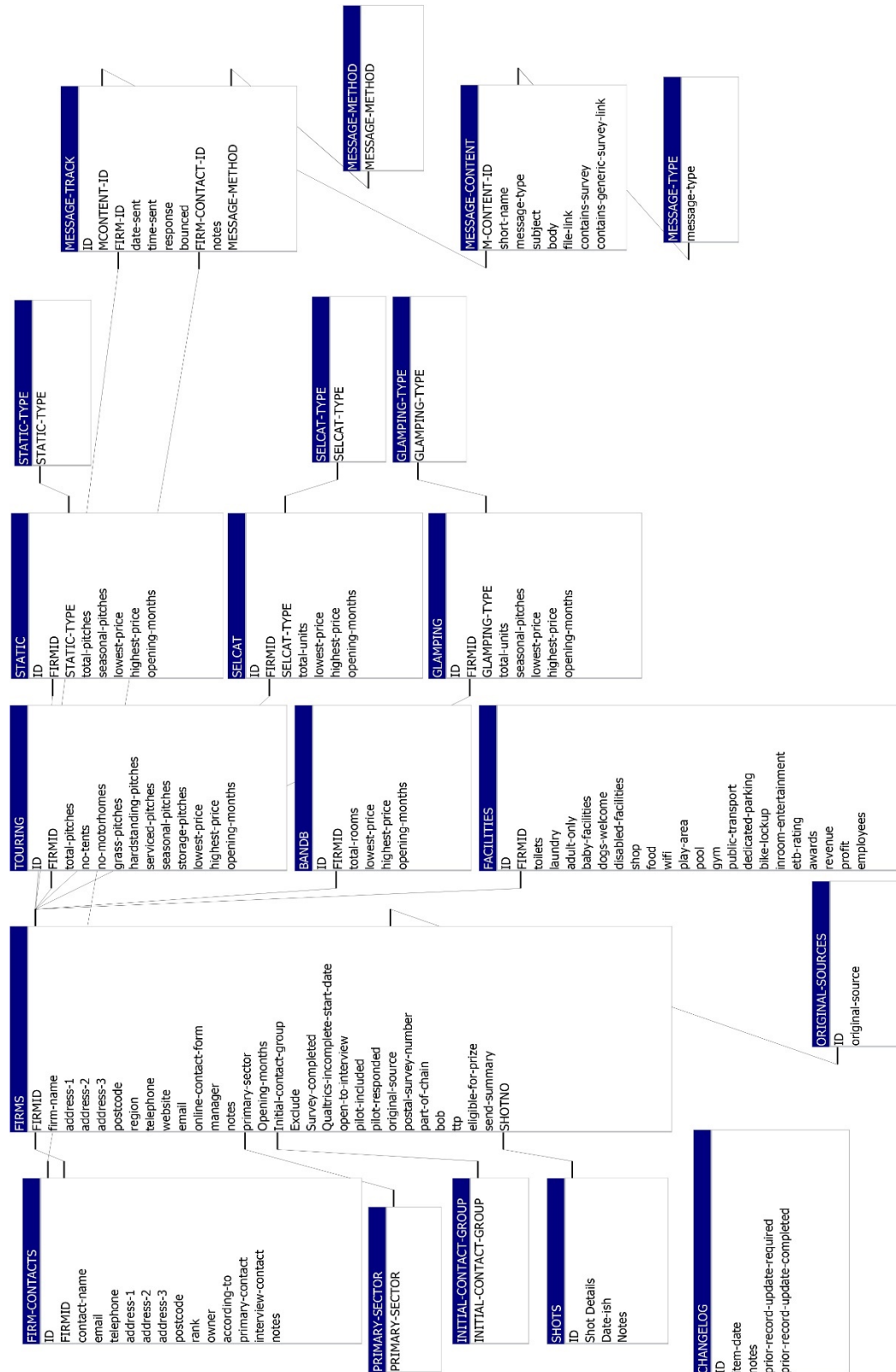
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# Appendix 1: Database Relationship Diagram

The following diagram presents each of the tables contained within the participant database, as described in Section 2.4.3, along with their various relationships to each other.



## **Appendix 2: Study Support Website**

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The following screenshots are from the support website in the time leading up to the launch of the survey. Although they appeared as one continuous page online, they have been cut and resized here to fit the page margins.

# The Impact of Regulation on Micro-Firms



We are a team from the University of Bath School of Management who are conducting a research project regarding the impact of regulation on micro-firms in the UK. What are micro-firms? Generally they're firms with 0-9 employees, although there are other definitions which we're also investigating. In particular, we're focused on awareness of & compliance to certain regulations, along with how these regulations impact on the performance of businesses.

## Why?

Micro-firms account for 96% of all private businesses & 32% of private sector employment in the UK [1]. Despite this, the varying definitions cause confusion over what they are & they are under-represented in research. When it comes to regulation, there is already evidence that not only are micro-firms particularly likely to reveal the impact [2], but they are disproportionately burdened by it [3].

We're researching accommodation businesses because the tourism industry is the third largest employer in the UK, with over 80% of the businesses classified as micro-firms [4]. The accommodation industry is also highly regulated with as many as 21,000 separate regulations in effect [5].

But it's not just accommodation businesses that can benefit from our research. We have specifically selected regulations which apply both in & outside of the industry: fire, minimum wage, health & safety, employment relations & consumer equality. These affect all businesses to some degree, whether they have employees or not, or whether they are open to the public or not.

## How?

This is where you come in, we can't analyse anything unless we have data. We're going to launch a survey early next year. It should take about 20 minutes to complete, but any questions can be skipped if you either don't know, or don't want to give us an answer. The questions cover some basic information about your business & each of the regulations we're focusing on.

All responses are completely confidential, analyses are aggregated & finding will be used for academic purposes only.

There is also an opportunity to meet with us for a short discussion about regulation & your business. This is separate to the survey, is completely optional & will happen later in the year. You can put your name forward for a meeting when you complete the survey or you can contact us using the information below. There is absolutely no obligation.



## Help!

---

If you are an accommodation provider of any kind, or if you know someone who is, please get in touch. What we need most right now are people to answer our survey. It really is a case of the more responses we get, the better our analysis can be. It will take about 20 minutes, is completely confidential & comes with no commitment, you can drop out at any time. But every answer you provide gives us vital information.

But remember, whether you're an accommodation provider or not, we've tailored this study specifically to investigate the effects of regulation on micro-firms. If you own or manage one of the 96% of private businesses in the UK who have 0-9 employees, our research is designed to help you. But to do that, we also need funding. It might not seem expensive to run a survey, but it is & there are other methods we can employ if we can afford it. One idea is to go to trade shows & open a stand so we can get more people involved. Another is to advertise in the trade press. Yet another is to physically go to some locations & knock on doors.

If you think our work might benefit you, if you're generally philanthropic, or if you're feeling generous, please get in touch via the university & see how you can help. If you're a trade body, maybe you could help with an endorsement, provide access to your membership, or perhaps you have some experience with research & have ideas which could shape our study, please get in touch.

## Contact

---

Whether you want to take the survey or are thinking about financially supporting us... whether you want to know more, would like to see our detailed research proposal or just want to see our conclusions... get in touch.

Email: [m.betton@bath.ac.uk](mailto:m.betton@bath.ac.uk)

Call: 01225 807 123, leave a message & we'll get back to you.

[Click Here](#) to sign up for the survey when it's ready.

Thank you.

## References on this page

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1. Department for Business, Innovation and Skills 2012. Business Population Estimates for the UK and Regions 2012.
2. Edwards, P., Ram, M. & Black, J. 2003. The impact of employment legislation on small firms: a case study analysis.
3. Gov.uk. 2013. Reducing the impact of regulation on business.
4. People 1st 2013. State of the Nation Hospitality and Tourism 2013.
5. Tourism Regulation Taskforce 2012. Smart Regulation and Economic Growth: Seizing the Tourism Opportunity.

The following screenshots are from the support website towards the end of the survey period. Again, they have been cut and resized to fit the page margins.

# The Impact of Regulation on Micro-Firms



[The Survey!](#) [Working with Industry](#) [Why?](#) [How?](#) [Help!](#) [Contact](#) [References](#)

We are a team from the Centre for Governance and Regulation at the University of Bath School of Management who are conducting a research project regarding the impact of regulation on small and micro-sized [2] firms in the UK accommodation industry. In particular, we are exploring the awareness of certain regulations, the impact that these have upon businesses and the personal goals that owner/managers have for their businesses.

## The Survey!

We've launched the survey for *sharing economy hosts*! [Click Here](#) to take it!

Or if you prefer, send us an [email](#) with your name and address and we'll put a hard copy in the post with a freepost return envelope.

*In addition, each completed & returned questionnaire will enter the respondent into a prize draw with a first prize of a **£50 Amazon voucher** and a second prize of a **£25 Amazon voucher**.*

There's still time to take part in the survey for *'traditional' accommodation businesses*! If you're a B&B, hotel, campsite or something similar, [Click Here](#) to take it before we close the survey!

Or if you prefer, send us an [email](#) with your name and address and we'll put a hard copy in the post with a freepost return envelope.

## Working with industry

We're working with the [Bed and Breakfast Association](#) to make sure the study is as useful as possible. Indeed they have already helped shape the survey and we'll be sharing a summary report with them to analyse and lobby against the impact of regulation and the effect of unregulated, unfair competition.



The [British Hospitality Association](#) has endorsed the study; they represent over 40,000 hotels, serviced apartments and leisure companies. As the 'hub' for Hospitality and Tourism, the BHA's thought leadership, market know-how, intelligence and expertise, deliver a powerful voice to government, as well as reliable advice, valuable connections and strategic support to business.

The study has been endorsed by [Farm Stay UK](#), a not-for-profit farmer owned consortium. They promote the concept of farm tourism in the UK, help members expand their businesses through pro-active support and assist farmers in broadening their income base through diversification, such as through accommodation. Their support proves the significance of our study to businesses of all sizes and backgrounds.







The study has been endorsed by [Roomlala](#), a French sharing economy website with over 700,000 members, many in the UK, who share spare rooms, guest houses & holiday rentals for short, medium or long term stays. Their support proves the significance of our study, particularly among those in the sharing economy.

The study has been endorsed by [VisitEngland](#), the country's national tourist board. They work in partnership with industry and research to grow the value of tourism in England and their support proves the significance of our study.



We know that engagement from trade associations is very important & will help to spread the word & garner more responses to the survey. We're hoping to work with other trade associations in the accommodation industry; so if you work for one or if you're a member & you think they could help us & benefit themselves, [get in touch](#).

## Why?

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Micro-firms account for 96% of all private businesses & 32% of private sector employment in the UK [1]. Despite this, the varying definitions cause confusion over what they are & they are under-represented in research. When it comes to regulation, there is already evidence that not only are micro-firms particularly likely to reveal the impact [2], but they are disproportionately burdened by it [3].

We're researching accommodation businesses because the tourism industry is the third largest employer in the UK, with over 80% of the businesses classified as micro-firms [4]. The accommodation industry is also highly regulated with as many as 21,000 separate regulations in effect [5].

But it's not just accommodation businesses that can benefit from our research. We have specifically selected regulations which apply both in & outside of the industry: fire, minimum wage, health & safety, employment relations & consumer equality. These affect all businesses to some degree, whether they have employees or not, or whether they are open to the public or not.

It is also a particularly unique time in the industry, offering ideal conditions for a study of this nature. Businesses like AirBnB, which let private individuals rent their own accommodation for short periods (letting out a room or entire house, at least, that's the idea) have become very popular in recent months. From a customer point of view, using AirBnB looks a lot like booking a B&B, but while B&Bs are subject to all manner of regulations, there is some debate over how these regulations apply to AirBnB hosts, whom we are surveying as well. That's what makes this study so important; we have rare opportunity to study regulated and inspected B&Bs against outwardly similar AirBnB (and alike) hosts who currently fall under different regulatory scrutiny.

## How?

---

This is where you come in, we can't analyse anything unless we have data. We've just launched a survey and we need people to take it. It should take about 20 minutes to complete, but any questions can be skipped if you either don't know, or don't want to give us an answer. The questions cover some basic information about your business & each of the regulations we're focusing on.

All responses are completely confidential, analyses are anonymised and aggregated & findings will be used for academic purposes only.

There is also an opportunity to meet with us for a short discussion about regulation & your business. This is separate to the survey, is completely optional & will happen later in the year. You can put your name forward for a meeting when you complete the survey or you can contact us using the information below. There is absolutely no obligation.

## Help!

If you are an accommodation provider of any kind, or if you know someone who is, please get in touch. What we need most right now are people to answer our survey. It really is a case of the more responses we get, the better our analysis can be. It will take about 20 minutes, is completely confidential & comes with no commitment, you can drop out at any time. But every answer you provide gives us vital information.

But remember, whether you're an accommodation provider or not, we've tailored this study specifically to investigate the effects of regulation on micro-firms. If you own or manage one of the 96% of private businesses in the UK who have 0-9 employees, our research is designed to help you. But to do that, we also need funding. It might not seem expensive to run a survey, but it is & there are other methods we can employ if we can afford it. One idea is to go to trade shows & open a stand so we can get more people involved. Another is to advertise in the trade press. Yet another is to physically go to some locations & knock on doors.

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## Contact

Whether you want to take the survey or are thinking about financially supporting us... whether you want to know more, would like to see our detailed research proposal or just want to see our conclusions... get in touch.

Email: [m.betton@bath.ac.uk](mailto:m.betton@bath.ac.uk)

Call: 01225 807 123, leave a message & we'll get back to you.

[Click Here](#) to take the survey for sharing economy hosts!

[Click Here](#) to take the survey for 'traditional' accommodation businesses, while there's still time!

Thank you.

## References on this page

*What are micro-firms? Generally they're firms with 0-9 employees, although there are other definitions which we're also investigating.*

1. Department for Business, Innovation and Skills 2012. Business Population Estimates for the UK and Regions 2012.
2. Edwards, P., Ram, M. & Black, J. 2003. The impact of employment legislation on small firms: a case study analysis.
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5. Tourism Regulation Taskforce 2012. Smart Regulation and Economic Growth: Seizing the Tourism Opportunity.

The following screenshots are from the support website at the time of writing, therefore after the survey closed. Again, they have been cut and resized to fit the page margins.



# The Impact of Regulation on Micro-Firms



[The Survey!](#) [Working with Industry](#) [Prizes!](#) [Why?](#) [How?](#) [Help!](#) [News](#) [Contact](#) [References](#)

We are a team from the Centre for Governance and Regulation at the University of Bath School of Management who are conducting a research project regarding the impact of regulation on small and micro-sized [?] firms in the UK accommodation industry. In particular, we are exploring the awareness of certain regulations, the impact that these have upon businesses and the personal goals that owner-managers have for their businesses.

## The Survey!

The survey is now closed, but we're very thankful for all of the people who took part. We're always interested in what people have to say, so please [get in touch!](#)

## Working with industry

We're working with the [Bed and Breakfast Association](#) to make sure the study is as useful as possible. Indeed they have already helped shape the survey and we'll be sharing a summary report with them to analyse and lobby against the impact of regulation and the effect of unregulated, unfair competition.



The [British Hospitality Association](#) has endorsed the study; they represent over 40,000 hotels, serviced apartments and leisure companies. As the 'hub' for Hospitality and Tourism, the BHA's thought leadership, market know-how, intelligence and expertise, deliver a powerful voice to government, as well as reliable advice, valuable connections and strategic support to business.

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The study has been endorsed by [VisitEngland](#), the country's national tourist board. They work in partnership with industry and research to grow the value of tourism in England and their support proves the significance of our study.



The study was endorsed by **Compare and Share** (before they closed), the comparison site for sharing. They brought thousands of shared experiences together in one place so it was easy to find and compare accommodation, transport andamp; more. Their support proves the significance of our study, particularly among businesses and hosts in the sharing economy.



The study has been endorsed by [Roomlala](#), a French-based sharing economy website with over 700,000 members, many in the UK, who share spare rooms, guest houses and holiday rentals for short, medium or long term stays. Their support proves the significance of our study, particularly among those in the sharing economy.

We know that engagement from trade-associations is very important and will help to spread the word and garner more responses to the survey. We're hoping to work with other trade-associations in the accommodation industry; so if you work for one or if you're a member and you think they could help us and benefit themselves, [get in touch](#).

## Prize Winners!

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As our survey has closed, the prize draw has taken place and the winners are...

- 1st prize: G Herbert from the Welsh Marches
- 2nd prize: R Fitton from the South West
- 3rd prize: J Folwell from the East Midlands
- 4th prize: R Price from Yorkshire and The Humber.

## Why?

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Micro-firms account for 96% of all private businesses and 32% of private sector employment in the UK [1]. Despite this, the varying definitions cause confusion over what they are and they are under-represented in research. When it comes to regulation, there is already evidence that not only are micro-firms particularly likely to reveal the impact [2], but they are disproportionately burdened by it [3].

We're researching accommodation businesses because the tourism industry is the third largest employer in the UK, with over 80% of the businesses classified as micro-firms [4]. The accommodation industry is also highly regulated with as many as 21,000 separate regulations in effect [5].

But it's not just accommodation businesses that can benefit from our research. We have specifically selected regulations which apply both in and outside of the industry: fire, health & safety, employment relations and anti-discrimination. These affect all businesses to some degree, whether they have employees or not, or whether they are open to the public or not.

It is also a particularly unique time in the industry, with Sharing Economy services, like Airbnb and Roomlala, enabling ordinary people to list rooms, flats, houses, etc for short-term stays; which to holiday makers can appear to be very similar to the offerings of 'traditional' accommodation firms like B&Bs. Yet there is much confusion from a regulatory stand point as to what regulations apply to sharing economy hosts.

## How?

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This is the part where we ask people to take part in our survey, but that's closed now and we're combing through the data to see what it tells us. We're always happy to hear from people and we're hoping to run other studies in this area in the future, so [get in touch](#)

## Help!

---

If you are an accommodation provider of any kind, or if you know someone who is, please [get in touch](#). Even though our survey has closed, we'd still love to hear from you.

But remember, whether you're an accommodation provider or not, we've tailored this study specifically to investigate the effects of regulation on micro-firms. If you own or manage one of the 96% of private businesses in the UK who have 0-9 employees, our research is designed to help you. But to do that, we also need funding. It might not seem expensive to run a survey, but it is. We've already learned so much and there's more we can do with our data, plus we have ideas for new studies, which all costs money.

If you think our work might benefit you, if you're generally philanthropic, or if you're feeling generous, please get in touch via the university and see how you can help. If you're a trade body, maybe you could help with an endorsement, provide access to your membership, or perhaps you have some experience with research and have ideas which could shape our work, please [get in touch](#).

## What's happening now?

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*We have all of the data we need for now, but we're always happy to hear from people, so [get in touch](#).*

*Right now, we're focused on analysing the data and we have two papers under review with prominent academic journals, plus a third almost ready to submit. Once each is ready, we'll be reporting the results to a wider audience, including on this website, so keep checking for updates!*

*So far, we've learned a lot about micro-firms and their owner-managers, including how they learn-about and comply-with regulation, and what this does to their business performance. Our innovative approach has provided much useful information and even cleared up some inconsistencies in existing research.*

*We're very excited by what we've found and we're far from finished. There's more we can get from our existing data (thanks again to everyone who took part) and we have several ideas for new research, so stay tuned!*

## Contact

---

Whether you wanted to take the survey or are thinking about financially supporting us (there's still much to be done)... whether you want to know more, would like to see our detailed research proposal or just want to see our conclusions... [get in touch](#).

Email: [m.betton@bath.ac.uk](mailto:m.betton@bath.ac.uk)

Call: 01225 807 123, leave a message and we'll get back to you.

Thank you.

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2. Edwards, P., Ram, M. and Black, J. 2003. The impact of employment legislation on small firms: a case study analysis.
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[See archived versions of this page.](#)

## **Appendix 3: Postal Survey**

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The postal survey was presented as a 12-page A4 booklet. Each page is reproduced here, resized to fit within the page margins of the thesis. The original survey page numbers are included at the bottom of each reproduced page, while the thesis page numbers remain at the bottom of the actual page.



## Regulations and UK Holiday Accommodation Providers Survey

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Thank you for taking the time to look at this survey. Its purpose is to collect information on accommodation providers and regulations for a PhD research project being carried out by a team at the University of Bath School of Management.

### Prize Draw

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Each completed and returned questionnaire will enter the respondent into a prize draw with a first prize of a **£100 Amazon voucher**, second prize of a **£50 Amazon voucher** and third and fourth prizes of **£25 Amazon vouchers**.

### Instructions for Completion

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Ideally, the survey should be completed by a Senior Person (Director or Manager) in the business, although it may be necessary to liaise with other people on particular questions. The survey should take about 10-20 minutes to complete.

We are interested in all responses, so please answer any questions you can and skip any that you cannot. We appreciate that this may be time consuming, but we will get the maximum value from surveys which are answered in full. However, we are interested in all responses, so please answer any questions you can. We are very grateful for any information which you provide.

Please return your survey, complete or otherwise, using the included FREEPOST envelope.

All responses are anonymised and confidential. The aggregated results of the study will be used for scholarly purposes and may be published, but the identities of individuals or firms will not be divulged.

You can enter anonymously or you can choose to provide your name and email address if you would like to be sent a summary report of the findings from this survey or wish to enter the prize draw.

Alternatively, if you prefer, this survey can be filled out online by visiting this website:  
[bizsurvey.org/survey](https://bizsurvey.org/survey)

If you have any questions about the study, please contact Marc Betton via [m.betton@bath.ac.uk](mailto:m.betton@bath.ac.uk) or 01225 807 123.

The first set of questions are all regarding the  
***type and size of your organisation plus regulation in general***

---

**Please indicate the term which best describes your business:**

- |   |  |   |
|---|--|---|
| <input type="radio"/> Bed and Breakfast | <input type="radio"/> Caravan park             | <input type="radio"/> Self-catering accommodation |
| <input type="radio"/> Guest house       | <input type="radio"/> Campsite                 | <input type="radio"/> Holiday cottage             |
| <input type="radio"/> Hotel             | <input type="radio"/> Touring and holiday park | <input type="radio"/> Glamping site               |

**What is the ownership status of the business?**

- |   |  |
|---|--|
| <input type="radio"/> Sole trader               | <input type="radio"/> Franchise                          |
| <input type="radio"/> Partnership               | <input type="radio"/> Subsidiary of another organisation |
| <input type="radio"/> Limited liability company | <input type="radio"/> Other, please specify: _____       |

**How many of each of the following do you have?**

|                                     |  |
|-------------------------------------|--|
| Rooms: _____                        | Cottages and apartments: _____                       |
| Touring pitches: _____              | 'Glamping' units (yurts, wigwams, tipis, etc): _____ |
| Caravans, chalets and lodges: _____ | Other, please specify: _____                         |

**Which of the following represent your main goals for your business? Please tick all that apply:**

- |   |   |
|---|---|
| <input type="checkbox"/> Having free time for non-business activities                               | <input type="checkbox"/> To have work satisfaction                              |
| <input type="checkbox"/> Being your own boss  | <input type="checkbox"/> Achieving financial security                           |
| <input type="checkbox"/> To pursue a desired lifestyle or hobby                                     | <input type="checkbox"/> Desire to meet new people                              |
| <input type="checkbox"/> To have greater flexibility for your personal and family life              | <input type="checkbox"/> Giving employment opportunities to your family         |
| <input type="checkbox"/> To be challenged by the problems and opportunities of operating a business | <input type="checkbox"/> Giving employment opportunities to those who need them |

**Including yourself, full and part time employees paid through PAYE, family members and contractors, how many people work for your business?**

\_\_\_\_\_

**Are you a member of any of the following trade associations? Please tick all that apply:**

- |   |   |
|---|---|
| <input type="checkbox"/> British Holiday and Home Parks Association     | <input type="checkbox"/> Bed and Breakfast Association    |
| <input type="checkbox"/> Farm Stay UK                                   | <input type="checkbox"/> The National Caravan Council     |
| <input type="checkbox"/> The Caravan Club                               | <input type="checkbox"/> The Camping and Caravanning Club |
| <input type="checkbox"/> The Motorcaravanners' Club                     | <input type="checkbox"/> British Hospitality Association  |
| <input type="checkbox"/> English Association of Self Catering Operators | <input type="checkbox"/> The Tourism Alliance             |
| <input type="checkbox"/> The Federation of Small Businesses             | <input type="checkbox"/> Other, please specify: _____     |

**How much do you agree or disagree with the statements below:**

|   | Strongly Disagree     | Disagree              | Somewhat Disagree     | Neither Agree nor Disagree | Somewhat Agree        | Agree                 | Strongly Agree        |
|---|-----------------------|-----------------------|-----------------------|----------------------------|-----------------------|-----------------------|-----------------------|
| I have made changes to my organisation to comply with regulations                       | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Regulations have made my business more formal   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| It is important to me that my business is compliant with regulations                    | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Ensuring compliance has made some of my internal business processes easier              | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Overall, my organisation has benefitted from regulations                                | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I will continue to change my firm to remain compliant as regulations change             | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Regulations force me to make changes within my business which would otherwise not occur | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Regulatory changes have created new opportunities for business                          | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Regulatory changes have made it harder to do business in this industry                  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

## The next few questions are all regarding *Health & Safety* regulations

*This sections encompasses all health & safety regulation relating to accommodation, but excluding anything regarding fire safety and food preparation.*

### How knowledgeable are you about health & safety regulations:

- ☐ Not at all knowledgeable
 ☐ Slightly knowledgeable
 ☐ Somewhat knowledgeable
 ☐ Moderately knowledgeable
 ☐ Extremely knowledgeable

### From your knowledge of health & safety regulations, is it strictly true or false that...

|   | True                  | False                 |
|---|-----------------------|-----------------------|
| All businesses must appoint a health & safety officer   | <input type="radio"/> | <input type="radio"/> |
| A health & safety inspector may enter any part of the premises at any time                              | <input type="radio"/> | <input type="radio"/> |
| Employers are always liable when employees fail to follow safety instructions in the workplace          | <input type="radio"/> | <input type="radio"/> |
| Family businesses which are incorporated as limited companies do not need employers liability insurance | <input type="radio"/> | <input type="radio"/> |
| Firms with five or more employees must have a written health & safety policy                            | <input type="radio"/> | <input type="radio"/> |

### How much do you agree or disagree with the statements below about health & safety regulations:

|  | Strongly Disagree     | Disagree              | Somewhat Disagree     | Neither Agree nor Disagree | Somewhat Agree        | Agree                 | Strongly Agree        |
|--|-----------------------|-----------------------|-----------------------|----------------------------|-----------------------|-----------------------|-----------------------|
| I understand why health & safety regulations exist   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Health & safety regulations should apply to all businesses   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Small businesses, such as my own, should be exempt from the full force of health & safety regulation | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I believe health & safety regulations are good for business  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Health & safety regulations are a sensible control on firms  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

|   | Strongly Disagree     | Disagree              | Somewhat Disagree     | Neither Agree nor Disagree | Somewhat Agree        | Agree                 | Strongly Agree        |
|---|-----------------------|-----------------------|-----------------------|----------------------------|-----------------------|-----------------------|-----------------------|
| The protections afforded by health & safety regulations are an unreasonable burden on my firm | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I do not knowingly breach health & safety regulations   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I think my firm is more compliant with health & safety regulations than my competitors are    | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I understand it is common in my industry for health & safety regulations to be ignored        | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

## The next few questions are all regarding ***Employment*** regulations

*This section encompasses the majority of regulations which affect employment including, but not limited to, National Minimum Wage, Working Time, Employment Rights and Equality (where it pertains to employment).*

*If you are the only person working in the business,  
please skip to the next section on page 7.*

### How knowledgeable are you about employment regulations:

- ☐ Not at all knowledgeable
 ☐ Slightly knowledgeable
 ☐ Somewhat knowledgeable
 ☐ Moderately knowledgeable
 ☐ Extremely knowledgeable

### From your knowledge of employment regulations, is it strictly true or false that...

|   | True                  | False                 |
|---|-----------------------|-----------------------|
| From October 2014, the minimum hourly wage for someone over 21 is £6.50   | <input type="radio"/> | <input type="radio"/> |
| Full time staff can have payment in lieu of holidays  | <input type="radio"/> | <input type="radio"/> |
| Family members who work for the firm can be paid below minimum wage   | <input type="radio"/> | <input type="radio"/> |
| If an employee is 'on call', they are only entitled to be paid for time when they are actually doing something for the business | <input type="radio"/> | <input type="radio"/> |
| It is a civil offence to pay an entitled employee below minimum wage  | <input type="radio"/> | <input type="radio"/> |



**How much do you agree or disagree with the statements below about employment regulations:**

|   | Strongly<br>Disagree  | Disagree              | Somewhat<br>Disagree  | Neither<br>Agree nor<br>Disagree | Somewhat<br>Agree     | Agree                 | Strongly<br>Agree     |
|---|-----------------------|-----------------------|-----------------------|----------------------------------|-----------------------|-----------------------|-----------------------|
| I understand why employment regulations exist   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>            | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Employment regulations should apply to all businesses   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>            | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Small businesses, such as my own, should be exempt from the full force of employment regulation | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>            | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I believe employment regulations are good for business  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>            | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Employment regulations are a sensible control on firms  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>            | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| The protections afforded by employment regulations are an unreasonable burden on my firm        | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>            | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I do not knowingly breach employment regulations  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>            | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I think my firm is more compliant with employment regulations than my competitors are           | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>            | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I understand it is common in my industry for employment regulations to be ignored               | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>            | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

*The next section continues overleaf*

## The next few questions are all regarding *Anti-Discrimination* regulations

*This section focuses on the Equality Act where it relates to all forms of anti-discrimination toward customers, rather than employees.*

**How knowledgeable are you about anti-discrimination regulations:**

- ☐ Not at all knowledgeable    
 ☐ Slightly knowledgeable    
 ☐ Somewhat knowledgeable    
 ☐ Moderately knowledgeable    
 ☐ Extremely knowledgeable

**From your knowledge of anti-discrimination regulations, is it strictly true or false that...**

|  | True                  | False                 |
|--|-----------------------|-----------------------|
| Firms are required to make reasonable changes for disabled customers   | <input type="radio"/> | <input type="radio"/> |
| Large single-sex groups may be refused service   | <input type="radio"/> | <input type="radio"/> |
| Customers may be refused service based on their age  | <input type="radio"/> | <input type="radio"/> |
| The onus is on disabled customers to highlight, rather than businesses to check for any special requirements | <input type="radio"/> | <input type="radio"/> |
| Properties with more than one storey should install an elevator for wheelchair users                         | <input type="radio"/> | <input type="radio"/> |

**How much do you agree or disagree with the statements below about anti-discrimination regulations:**

|  | Strongly Disagree     | Disagree              | Somewhat Disagree     | Neither Agree nor Disagree | Somewhat Agree        | Agree                 | Strongly Agree        |
|--|-----------------------|-----------------------|-----------------------|----------------------------|-----------------------|-----------------------|-----------------------|
| I understand why anti-discrimination regulations exist   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Anti-discrimination regulations should apply to all businesses   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Small businesses, such as my own, should be exempt from the full force of anti-discrimination regulation | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I believe anti-discrimination regulations are good for business  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Anti-discrimination regulations are a sensible control on firms  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

|   | Strongly Disagree     | Disagree              | Somewhat Disagree     | Neither Agree nor Disagree | Somewhat Agree        | Agree                 | Strongly Agree        |
|---|-----------------------|-----------------------|-----------------------|----------------------------|-----------------------|-----------------------|-----------------------|
| The protections afforded by anti-discrimination regulations are an unreasonable burden on my firm | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I do not knowingly breach anti-discrimination regulations   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I think my firm is more compliant with anti-discrimination regulations than my competitors are    | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I understand it is common in my industry for anti-discrimination regulations to be ignored        | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

The next few questions are all regarding  
**Fire** regulations

*This section focuses on the requirements laid out in the Regulatory Reform (Fire Safety) Order 2005 including the precautions which businesses must put in place and the use of fire risk assessments.*

*This section is aimed at serviced accommodation and B&Bs, so if you are a caravan park, touring and holiday park or campsite, please skip to the next section on page 10.*

**How knowledgeable are you about fire regulations:**

- ☐ Not at all knowledgeable
 ☐ Slightly knowledgeable
 ☐ Somewhat knowledgeable
 ☐ Moderately knowledgeable
 ☐ Extremely knowledgeable

**From your knowledge of fire regulations, is it strictly true or false that...**

|   | True                  | False                 |
|---|-----------------------|-----------------------|
| A fire risk assessment is only required for medium and large organisations  | <input type="radio"/> | <input type="radio"/> |
| If no more than six people can be accommodated on the premises and all accommodation is not above the first floor (the six bed-space rule), then the business is exempt from fire regulations | <input type="radio"/> | <input type="radio"/> |
| A fire risk assessment can only be written by a qualified assessor  | <input type="radio"/> | <input type="radio"/> |
| An automatic fire-detection and alarm system must be installed in the premises  | <input type="radio"/> | <input type="radio"/> |
| All local fire service apply the same interpretation of the regulations and your potential risks  | <input type="radio"/> | <input type="radio"/> |

**How much do you agree or disagree with the statements below about fire regulations:**

|   | Strongly<br>Disagree  | Disagree              | Somewhat<br>Disagree  | Neither<br>Agree nor<br>Disagree | Somewhat<br>Agree     | Agree                 | Strongly<br>Agree     |
|---|-----------------------|-----------------------|-----------------------|----------------------------------|-----------------------|-----------------------|-----------------------|
| I understand why fire regulations exist   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>            | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Fire regulations should apply to all businesses   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>            | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Small businesses, such as my own, should be exempt from the full force of fire regulation | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>            | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I believe fire regulations are good for business  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>            | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Fire regulations are a sensible control on firms  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>            | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| The protections afforded by fire regulations are an unreasonable burden on my firm        | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>            | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I do not knowingly breach fire regulations  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>            | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I think my firm is more compliant with fire regulations than my competitors are           | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>            | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I understand it is common in my industry for fire regulations to be ignored               | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>            | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

*The next section continues overleaf*

## The next questions are all regarding *you and your business*

Earlier we asked about your goals for your business, now we would like to know how satisfied you are with your success towards these goals:

|  | Very Dissatisfied     | Dissatisfied          | Somewhat Dissatisfied | Neither Dissatisfied nor Satisfied | Somewhat Satisfied    | Satisfied             | Very Satisfied        |
|--|-----------------------|-----------------------|-----------------------|------------------------------------|-----------------------|-----------------------|-----------------------|
| Having free time for non-business activities                               | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>              | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Being your own boss  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>              | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| To pursue a desired lifestyle or hobby                                     | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>              | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| To have greater flexibility for my personal and family life                | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>              | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| To be challenged by the problems and opportunities of operating a business | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>              | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| To have work satisfaction  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>              | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Achieving financial security   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>              | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Desire to meet new people  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>              | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Giving employment opportunities to your family                             | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>              | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Giving employment opportunities to those who need them                     | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>              | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Please indicate your revenue for the last full financial year, up to:

- ☐ £75,000
 ☐ £500,000
 ☐ £2,000,000
 ☐ More than £2,000,000

Over the last 3 years has the number of people working for the business been:

- ☐ Increasing
 ☐ Decreasing
 ☐ Stable, but people left and were replaced
 ☐ Stable, with no turnover

Over the last 3 years has your revenue been:

- ☐ Increasing
 ☐ Stable
 ☐ Decreasing

Over the last 3 years has your net profit been:

- ☐ Increasing
 ☐ Stable
 ☐ Decreasing

Over the last 3 years has your occupancy level been:

- ☐ Increasing ☐ Stable ☐ Decreasing

One part of the definition of micro-firms is having a balance sheet total under £2 million, are you a micro-firm according to this criteria?

- ☐ Yes ☐ No ☐ Not sure

Another part of the definition of micro-firms is your business owning no more than 25% of another and/or having no more than 25% of your business being owned by another business, are you a micro-firm according to this criteria?

- ☐ Yes ☐ No ☐ Not sure

How many years have you owned your business? \_\_\_\_\_

How old are you? \_\_\_\_\_

Are you?

- ☐ Male ☐ Female

Answer true or false to the following statements about yourself:

|  | True                  | False                 |
|--|-----------------------|-----------------------|
| You are always willing to admit it when you make a mistake                           | <input type="radio"/> | <input type="radio"/> |
| You always try to practice what you preach   | <input type="radio"/> | <input type="radio"/> |
| You never resent being asked to return a favour                                      | <input type="radio"/> | <input type="radio"/> |
| You have never been annoyed when people expressed ideas very different from your own | <input type="radio"/> | <input type="radio"/> |
| You have never deliberately said something that hurt someone's feelings              | <input type="radio"/> | <input type="radio"/> |
| You like to gossip at times  | <input type="radio"/> | <input type="radio"/> |
| There have been occasions when you took advantage of someone                         | <input type="radio"/> | <input type="radio"/> |
| You sometimes try to get even rather than forgive and forget                         | <input type="radio"/> | <input type="radio"/> |
| At times you have really insisted on having things your own way                      | <input type="radio"/> | <input type="radio"/> |
| There have been occasions when you felt like smashing things                         | <input type="radio"/> | <input type="radio"/> |

## These last questions are about *your contact details*

---

Thank you for taking the time to complete this survey. Remember, all responses will be kept strictly confidential and all findings will be anonymised and aggregated to ensure that no individual or business can be identified in any way.

*Remember that each completed and returned questionnaire will enter you into a prize draw with a first prize of a **£100 Amazon voucher**, second prize of a **£50 Amazon voucher** and third and fourth prizes of **£25 Amazon vouchers**.*

You can skip this page if you want to remain anonymous, or please provide us with your name, the name of your business and your email address if you would like to receive a summary report of our findings and be entered into the prize draw or if you would like to participate in a brief follow-up interview.

**Would you be interested in participating in a brief follow-up interview?**

☐ Yes

☐ No

**Your name**

**Business name**

**Your email address**

**Is there anything else you would like to tell us about any of the issues raised in this survey?**

|  |
|--|
|  |
|--|

Thank you for taking the time to complete this survey.

---

Please return it using the included FREEPOST envelope or post it back to: Dr Robert Branston, School of Management, University of Bath, FREEPOST SWB 10592, Bath, BA2 7ZZ.

## Appendix 4: Online Survey

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The online survey was presented across nine pages. Each page is reproduced here, resized to fit within the page width of the thesis. As some survey pages extend across multiple printed pages, each survey page begins with the University of Bath School of Management logo and ends with the footer “*Survey Powered By Qualtrics*”. For reference, the logo and background gradient are the standard School of Management blue in colour (Pantone 2995 C).



## ***Regulations and UK Holiday Accommodation Providers Survey***

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Thank you for taking the time to look at this survey. Its purpose is to collect information on accommodation providers and regulations for a PhD research project being carried out by a team at the University of Bath School of Management.

### ***Prize Draw***

---

Each completed and returned questionnaire will enter the respondent into a prize draw with a first prize of a **£100 Amazon voucher**, second prize of a **£50 Amazon voucher** and third and fourth prizes of **£25 Amazon vouchers**.

### ***Instructions for Completion***

---

Ideally, the survey should be completed by a Senior Person (Director or Manager) in the business, although it may be necessary to liaise with other people on particular questions. The survey should take about 10-20 minutes to complete.

We are interested in all responses, so please answer any questions you can and skip any that you cannot. We appreciate that this may be time consuming, but we will get the maximum value from surveys which are answered in full. However, we are interested in all responses, so please answer any questions you can. We are very grateful for any information which you provide. You can stop at any time by closing your browser window.

All responses are anonymised and confidential. The aggregated results of the study will be used for scholarly purposes and may be published, but the identities of individuals or firms will not be divulged.

You can enter anonymously or you can choose to provide your name and email address if you would like to be sent a summary report of the findings from this survey or wish to enter the prize draw.

Alternatively, if you prefer, we can send you a hard-copy of the survey. Just send an email to the address below with your address and we will post you a printed copy along with a FREEPOST return envelope.

If you have any questions about the study, please contact Marc Betton via [m.betton@bath.ac.uk](mailto:m.betton@bath.ac.uk) or 01225 807 123.

Please click the >> button in the bottom right to continue to the next page.

>>

The first set of questions are all regarding the  
***type and size of your organisation plus regulation in general***

**Please indicate the term which best describes your business:**

- |   |  |   |
|---|--|---|
| <input type="radio"/> Bed and Breakfast | <input type="radio"/> Caravan park             | <input type="radio"/> Self-catering accommodation |
| <input type="radio"/> Guest house       | <input type="radio"/> Campsite                 | <input type="radio"/> Holiday cottage             |
| <input type="radio"/> Hotel             | <input type="radio"/> Touring and holiday park | <input type="radio"/> Glamping site               |

**What is the ownership status of the business?**

- |   |  |
|---|--|
| <input type="radio"/> Sole trader               | <input type="radio"/> Franchise                                  |
| <input type="radio"/> Partnership               | <input type="radio"/> Subsidiary of another organisation         |
| <input type="radio"/> Limited liability company | <input type="radio"/> Other, please specify <input type="text"/> |

**How many of each of the following do you have? Please enter numbers only:**

|  |                      |
|--|----------------------|
| Rooms:   | <input type="text"/> |
| Touring pitches:                               | <input type="text"/> |
| Caravans, chalets and lodges:                  | <input type="text"/> |
| Cottages and apartments:                       | <input type="text"/> |
| 'Glamping' units (yurts, wigwams, tipis, etc): | <input type="text"/> |
| Other:   | <input type="text"/> |

**Which of the following represent your main goals for your business? Please tick all that apply:**

- |   |   |
|---|---|
| <input type="checkbox"/> Having free time for non-business activities                               | <input type="checkbox"/> To have work satisfaction                              |
| <input type="checkbox"/> Being your own boss  | <input type="checkbox"/> Achieving financial security                           |
| <input type="checkbox"/> To pursue a desired lifestyle or hobby                                     | <input type="checkbox"/> Desire to meet new people                              |
| <input type="checkbox"/> To have greater flexibility for your personal and family life              | <input type="checkbox"/> Giving employment opportunities to your family         |
| <input type="checkbox"/> To be challenged by the problems and opportunities of operating a business | <input type="checkbox"/> Giving employment opportunities to those who need them |

Including yourself, full and part time employees paid through PAYE, family members and contractors, how many people work for your business? *Please enter numbers only:*

Are you a member of any of the following trade associations? *Please tick all that apply:*

- |   |   |
|---|---|
| <input type="checkbox"/> British Holiday and Home Parks Association     | <input type="checkbox"/> Bed and Breakfast Association              |
| <input type="checkbox"/> Farm Stay UK                                   | <input type="checkbox"/> The National Caravan Council               |
| <input type="checkbox"/> The Caravan Club                               | <input type="checkbox"/> The Camping and Caravanning Club           |
| <input type="checkbox"/> The Motorcaravanners' Club                     | <input type="checkbox"/> British Hospitality Association            |
| <input type="checkbox"/> English Association of Self Catering Operators | <input type="checkbox"/> The Tourism Alliance                       |
| <input type="checkbox"/> The Federation of Small Businesses             | <input type="checkbox"/> Other, please specify <input type="text"/> |

How much do you agree or disagree with the statements below:

|   | Strongly Disagree     | Disagree              | Somewhat Disagree     | Neither Agree nor Disagree | Somewhat Agree        | Agree                 | Strongly Agree        |
|---|-----------------------|-----------------------|-----------------------|----------------------------|-----------------------|-----------------------|-----------------------|
| I have made changes to my organisation to comply with regulations                       | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Regulations have made my business more formal   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| It is important to me that my business is compliant with regulations                    | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Ensuring compliance has made some of my internal business processes easier              | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Overall, my organisation has benefitted from regulations                                | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I will continue to change my firm to remain compliant as regulations change             | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Regulations force me to make changes within my business which would otherwise not occur | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Regulatory changes have created new opportunities for business                          | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Regulatory changes have made it harder to do business in this industry                  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

>>

The next few questions are all regarding  
**Health & Safety** regulations

*This sections encompasses all health & safety regulation relating to accommodation, but excluding anything regarding fire safety and food preparation.*

**How knowledgeable are you about health & safety regulations:**

- ☐ Not at all knowledgeable
 ☐ Slightly knowledgeable
 ☐ Somewhat knowledgeable
 ☐ Moderately knowledgeable
 ☐ Extremely knowledgeable

**From your knowledge of health & safety regulations, is it strictly true or false that...**

|   | True                  | False                 |
|---|-----------------------|-----------------------|
| All businesses must appoint a health & safety officer   | <input type="radio"/> | <input type="radio"/> |
| A health & safety inspector may enter any part of the premises at any time                              | <input type="radio"/> | <input type="radio"/> |
| Employers are always liable when employees fail to follow safety instructions in the workplace          | <input type="radio"/> | <input type="radio"/> |
| Family businesses which are incorporated as limited companies do not need employers liability insurance | <input type="radio"/> | <input type="radio"/> |
| Firms with five or more employees must have a written health & safety policy                            | <input type="radio"/> | <input type="radio"/> |

**How much do you agree or disagree with the statements below about health & safety regulations:**

|  | Strongly Disagree     | Disagree              | Somewhat Disagree     | Neither Agree nor Disagree | Somewhat Agree        | Agree                 | Strongly Agree        |
|--|-----------------------|-----------------------|-----------------------|----------------------------|-----------------------|-----------------------|-----------------------|
| I understand why health & safety regulations exist   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Health & safety regulations should apply to all businesses   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Small businesses, such as my own, should be exempt from the full force of health & safety regulation | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I believe health & safety regulations are good for business  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Health & safety regulations are a sensible control on firms  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| The protections afforded by health & safety regulations are an unreasonable burden on my firm        | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I do not knowingly breach health & safety regulations  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I think my firm is more compliant with health & safety regulations than my competitors are           | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I understand it is common in my industry for health & safety regulations to be ignored               | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

>>



The next few questions are all regarding  
**Employment** regulations

*This section encompasses the majority of regulations which affect employment including, but not limited to, National Minimum Wage, Working Time, Employment Rights and Equality (where it pertains to employment).*

How knowledgeable are you about employment regulations:

- ☐ Not at all knowledgeable
 ☐ Slightly knowledgeable
 ☐ Somewhat knowledgeable
 ☐ Moderately knowledgeable
 ☐ Extremely knowledgeable

From your knowledge of employment regulations, is it strictly true or false that...

|   | True                  | False                 |
|---|-----------------------|-----------------------|
| From October 2014, the minimum hourly wage for someone over 21 is £6.50   | <input type="radio"/> | <input type="radio"/> |
| Full time staff can have payment in lieu of holidays  | <input type="radio"/> | <input type="radio"/> |
| Family members who work for the firm can be paid below minimum wage   | <input type="radio"/> | <input type="radio"/> |
| If an employee is 'on call', they are only entitled to be paid for time when they are actually doing something for the business | <input type="radio"/> | <input type="radio"/> |
| It is a civil offence to pay an entitled employee below minimum wage  | <input type="radio"/> | <input type="radio"/> |

How much do you agree or disagree with the statements below about employment regulations:

|   | Strongly Disagree     | Disagree              | Somewhat Disagree     | Neither Agree nor Disagree | Somewhat Agree        | Agree                 | Strongly Agree        |
|---|-----------------------|-----------------------|-----------------------|----------------------------|-----------------------|-----------------------|-----------------------|
| I understand why employment regulations exist   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Employment regulations should apply to all businesses   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Small businesses, such as my own, should be exempt from the full force of employment regulation | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I believe employment regulations are good for business  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Employment regulations are a sensible control on firms  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| The protections afforded by employment regulations are an unreasonable burden on my firm        | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I do not knowingly breach employment regulations  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I think my firm is more compliant with employment regulations than my competitors are           | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I understand it is common in my industry for employment regulations to be ignored               | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

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The next few questions are all regarding  
**Anti-Discrimination** regulations

*This section focuses on the Equality Act where it relates to all forms of anti-discrimination toward customers, rather than employees.*

**How knowledgeable are you about anti-discrimination regulations:**

- ☐ Not at all knowledgeable
 ☐ Slightly knowledgeable
 ☐ Somewhat knowledgeable
 ☐ Moderately knowledgeable
 ☐ Extremely knowledgeable

**From your knowledge of anti-discrimination regulations, is it strictly true or false that...**

|  | True                  | False                 |
|--|-----------------------|-----------------------|
| Firms are required to make reasonable changes for disabled customers   | <input type="radio"/> | <input type="radio"/> |
| Large single-sex groups may be refused service   | <input type="radio"/> | <input type="radio"/> |
| Customers may be refused service based on their age  | <input type="radio"/> | <input type="radio"/> |
| The onus is on disabled customers to highlight, rather than businesses to check for any special requirements | <input type="radio"/> | <input type="radio"/> |
| Properties with more than one storey should install an elevator for wheelchair users                         | <input type="radio"/> | <input type="radio"/> |

**How much do you agree or disagree with the statements below about anti-discrimination regulations:**

|  | Strongly Disagree     | Disagree              | Somewhat Disagree     | Neither Agree nor Disagree | Somewhat Agree        | Agree                 | Strongly Agree        |
|--|-----------------------|-----------------------|-----------------------|----------------------------|-----------------------|-----------------------|-----------------------|
| I understand why anti-discrimination regulations exist   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Anti-discrimination regulations should apply to all businesses   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Small businesses, such as my own, should be exempt from the full force of anti-discrimination regulation | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I believe anti-discrimination regulations are good for business  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Anti-discrimination regulations are a sensible control on firms  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| The protections afforded by anti-discrimination regulations are an unreasonable burden on my firm        | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I do not knowingly breach anti-discrimination regulations  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I think my firm is more compliant with anti-discrimination regulations than my competitors are           | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I understand it is common in my industry for anti-discrimination regulations to be ignored               | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

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The next few questions are all regarding  
**Fire regulations**

*This section focuses on the requirements laid out in the Regulatory Reform (Fire Safety) Order 2005 including the precautions which businesses must put in place and the use of fire risk assessments.*

**How knowledgeable are you about fire regulations:**

- ☐ Not at all knowledgeable
 ☐ Slightly knowledgeable
 ☐ Somewhat knowledgeable
 ☐ Moderately knowledgeable
 ☐ Extremely knowledgeable

**From your knowledge of fire regulations, is it strictly true or false that...**

|   | True                  | False                 |
|---|-----------------------|-----------------------|
| A fire risk assessment is only required for medium and large organisations  | <input type="radio"/> | <input type="radio"/> |
| If no more than six people can be accommodated on the premises and all accommodation is not above the first floor (the six bed-space rule), then the business is exempt from fire regulations | <input type="radio"/> | <input type="radio"/> |
| A fire risk assessment can only be written by a qualified assessor  | <input type="radio"/> | <input type="radio"/> |
| An automatic fire-detection and alarm system must be installed in the premises  | <input type="radio"/> | <input type="radio"/> |
| All local fire service apply the same interpretation of the regulations and your potential risks  | <input type="radio"/> | <input type="radio"/> |

**How much do you agree or disagree with the statements below about fire regulations:**

|   | Strongly Disagree     | Disagree              | Somewhat Disagree     | Neither Agree nor Disagree | Somewhat Agree        | Agree                 | Strongly Agree        |
|---|-----------------------|-----------------------|-----------------------|----------------------------|-----------------------|-----------------------|-----------------------|
| I understand why fire regulations exist   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Fire regulations should apply to all businesses   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Small businesses, such as my own, should be exempt from the full force of fire regulation | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I believe fire regulations are good for business  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Fire regulations are a sensible control on firms  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| The protections afforded by fire regulations are an unreasonable burden on my firm        | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I do not knowingly breach fire regulations  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I think my firm is more compliant with fire regulations than my competitors are           | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I understand it is common in my industry for fire regulations to be ignored               | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

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The next few questions are all regarding  
***you and your business***

Earlier we asked about your goals for your business, now we would like to know how **satisfied** you are with your **success** towards these goals:

|  | Very<br>Dissatisfied  | Dissatisfied          | Somewhat<br>Dissatisfied | Neither<br>Dissatisfied<br>nor Satisfied | Somewhat<br>Satisfied | Satisfied             | Very<br>Satisfied     |
|--|-----------------------|-----------------------|--------------------------|--|-----------------------|-----------------------|-----------------------|
| Having free time for non-business activities                               | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>    | <input type="radio"/>                    | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Being your own boss  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>    | <input type="radio"/>                    | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| To pursue a desired lifestyle or hobby                                     | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>    | <input type="radio"/>                    | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| To have greater flexibility for my personal and family life                | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>    | <input type="radio"/>                    | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| To be challenged by the problems and opportunities of operating a business | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>    | <input type="radio"/>                    | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| To have work satisfaction  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>    | <input type="radio"/>                    | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Achieving financial security   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>    | <input type="radio"/>                    | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Desire to meet new people  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>    | <input type="radio"/>                    | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Giving employment opportunities to your family                             | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>    | <input type="radio"/>                    | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Giving employment opportunities to those who need them                     | <input type="radio"/> | <input type="radio"/> | <input type="radio"/>    | <input type="radio"/>                    | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Please indicate your **revenue** for the last full financial year, up to:

- ☐ £75,000  
 ☐ £500,000  
 ☐ £2,000,000  
 ☐ More than £2,000,000

Over the last 3 years has the number of **people working for the business** been:

- ☐ Increasing  
 ☐ Decreasing  
 ☐ Stable, but people left and were replaced  
 ☐ Stable, with no turnover



Over the last 3 years has your revenue been:

- ☐ Increasing ☐ Stable ☐ Decreasing

Over the last 3 years has your net profit been:

- ☐ Increasing ☐ Stable ☐ Decreasing

Over the last 3 years has your occupancy level been:

- ☐ Increasing ☐ Stable ☐ Decreasing

One part of the definition of micro-firms is having a balance sheet total under £2 million, are you a micro-firm according to this criteria?

- ☐ Yes ☐ No ☐ Not sure

Another part of the definition of micro-firms is your business owning no more than 25% of another and/or having no more than 25% of your business being owned by another business, are you a micro-firm according to this criteria?

- ☐ Yes ☐ No ☐ Not sure

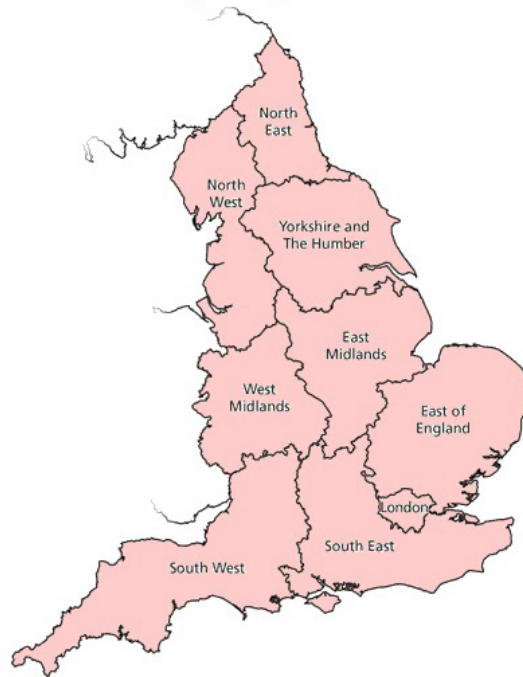
How many years have you owned your business?

How old are you?

Are you?

- ☐ Male ☐ Female

Please select the region that your business is based in:



Answer true or false to the following statements about yourself:

|  | True                  | False                 |
|--|-----------------------|-----------------------|
| You are always willing to admit it when you make a mistake                           | <input type="radio"/> | <input type="radio"/> |
| You always try to practice what you preach   | <input type="radio"/> | <input type="radio"/> |
| You never resent being asked to return a favour                                      | <input type="radio"/> | <input type="radio"/> |
| You have never been annoyed when people expressed ideas very different from your own | <input type="radio"/> | <input type="radio"/> |
| You have never deliberately said something that hurt someone's feelings              | <input type="radio"/> | <input type="radio"/> |
| You like to gossip at times  | <input type="radio"/> | <input type="radio"/> |
| There have been occasions when you took advantage of someone                         | <input type="radio"/> | <input type="radio"/> |
| You sometimes try to get even rather than forgive and forget                         | <input type="radio"/> | <input type="radio"/> |
| At times you have really insisted on having things your own way                      | <input type="radio"/> | <input type="radio"/> |
| There have been occasions when you felt like smashing things                         | <input type="radio"/> | <input type="radio"/> |

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These last questions are about  
***your contact details***

Thank you for taking the time to complete this survey. Remember, all responses will be kept strictly confidential and all findings will be anonymised and aggregated to ensure that no individual or business can be identified in any way.

*Remember that each completed questionnaire will enter you into a prize draw with a first prize of a **£100 Amazon voucher**, second prize of a **£50 Amazon voucher** and third and fourth prizes of **£25 Amazon vouchers**.*

You can skip this page if you want to remain anonymous, or please provide us with your name, the name of your business and your email address if you would like to receive a summary report of our findings and be entered into the prize draw or if you would like to participate in a brief follow-up interview.

**Would you be interested in participating in a brief follow-up interview?**

☐ Yes ☐ No

**Please enter your details:**

Your name:

Business name:

Your email address:

**Is there anything else you would like to tell us about any of the issues raised in this survey?**

**Thank you for taking the time to complete this survey.**

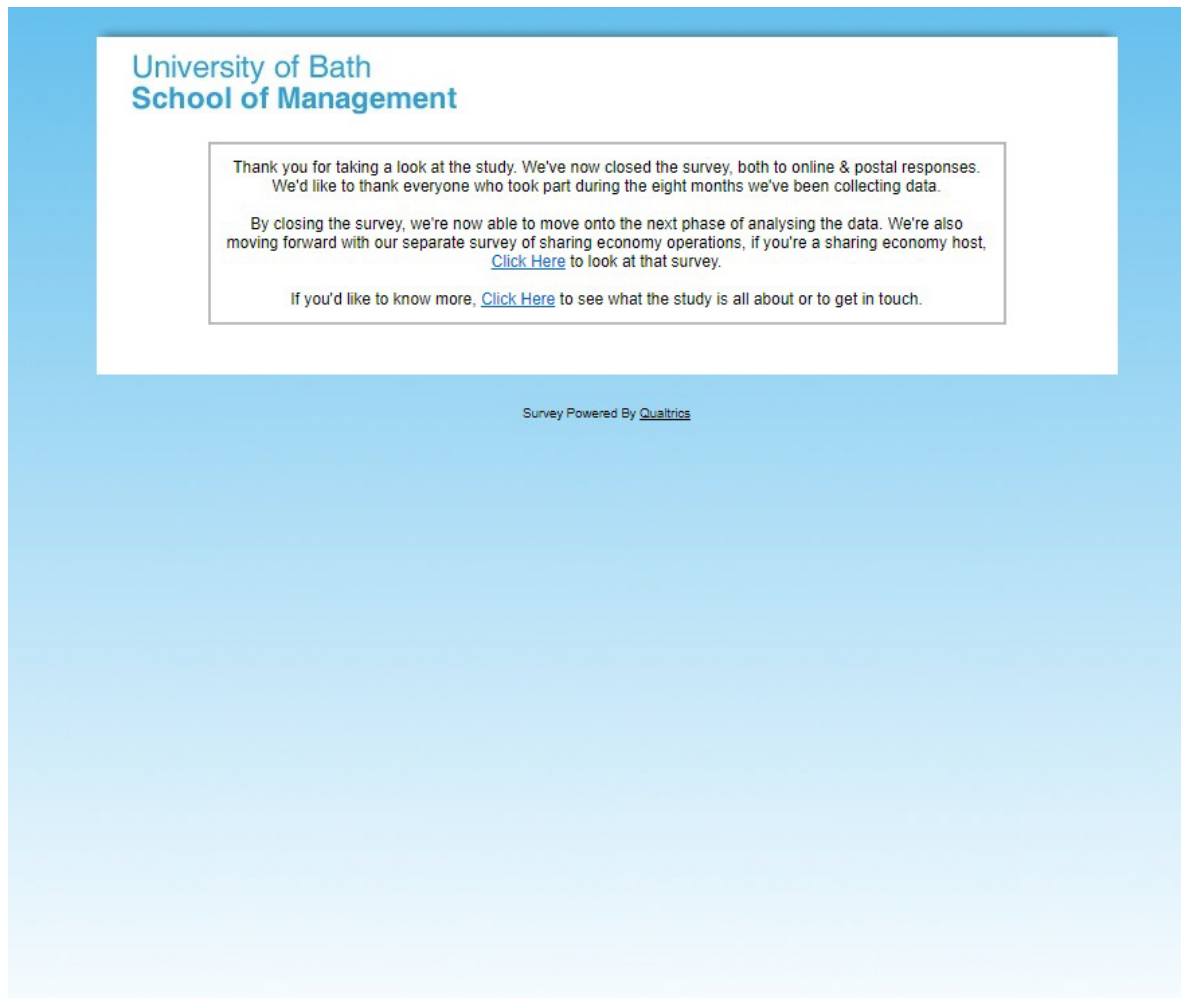
Please press >> one last time to submit your survey.

>>

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Upon pressing the final >> button, respondents were thanked and returned to the support website.

The following page was presented to respondents if they followed any of the links to the survey after it was closed.



*Intentionally blank*